COMMODITIES

Meat major exception to steady rise in costs

NRN Special Report

Despite consistent drops throughout the summer and fall in food-from-the-farm prices, the costs to operators have continued to rise steadily, with only a few significant drops to relieve the upward tide. One of the major exceptions has been meat, with beef, pork and poultry all showing drops during the early fall months.

Hog prices—and therefore pork—dropped dramatically during the middle of November, as production increased, despite forecasts of reductions. U.S. Department of Agriculture economists said it was the old law of "supply and demand" working; farmers had watched the late summer rise of hog prices and decided to cash in on them, bringing hogs to slaughter in larger numbers than anticipated. As a result, hog prices fell and have stayed depressed until the inventory of pork can be consumed.

Much the same thing happened to beef. Although the pipeline times are longer for cattle, a larger number were placed on feed when the summer prices were high. These cattle are now about all slaughtered, so the prices of beef should start to rise again during December.

Poultry prices have been depressed compared to last year because of greater production by raisers. Broilers have been running between 8% and 10% lower than a year ago. Turkey inventories are extremely high for this time of year and both Thanksgiving and Christmas prices should be lower.

Vegetable Pack Disappointing

In general, the vegetable pack this year was disappointing, and the drop in stocks have been translated into a number of price increases by the packers. There have been some exceptions to the general rise, however. Overall dried bean inventories are high, with prices the lowest in some years. Even heavy Mexican buying at the beginning of the crop season did not push prices up substantially. The U.S. Government has increased dried bean purchases for school and other domestic donation programs by about 500% to put a floor under the prices.

While heavy supplies of tomatoes coming from California, plus good Florida supplies, have dropped fresh vegetable prices during November, the price of canned tomatoes and tomato products continue to creep up. Fancy California ketchup is up 26% over last year; paste and puree had similar rises, due to high field prices based upon a short canning tomato crop.

PRICE MOVEMENT AT A GLANCE

	Nov. 13, 1980	Oct. 13, 1981	Nov. 13, 1981
Broilers, Grade A, ice pack, N.Y.C. (lb.)	$ 0.5228	$ 0.4813	$ 0.4595
Ketchup, Fancy, Calif. (6/10)	$12.15	$15.80	$16.45
Coffee, green beans, N.Y.C. (lb.)	$ 1.25	$ 1.28	$ 1.47
Corn, cut, frozen, Fancy, Calif. (lb.)	$ 0.37	$ 0.46-0.47	$ 0.49
Eggs, large white, Grade A, Chicago (doz.)	$ 0.7475	$ 0.705-0.71	$ 0.795-0.80
Orange juice concentrate, Florida (lb. bulk)	$ 0.89	$ 1.265	$ 1.18
Pepper, black, N.Y.C. (lb.)	$ 0.90	$ 0.68	$ 0.67
Pork loins, 14-down, Midwest (lb.)	$ 0.89	$ 0.01	$ 0.91
Sugar, cane, refined, N.Y.C. (lb.)	$ 0.5110	$ 0.2610	$ 0.2710
Tomatoes, fresh, Calif., 5/6s (flat)	$ 5.00	$ 6.00	$ 4.00

Source: *NRN* Research

Prices listed are packers' f.o.b. plant, unless specified, and do not represent the prices paid by the operator. This list is only a reference to indicate price trends against benchmarks of one year ago and one month ago. Products listed are those showing marked movement in price.

Grace claims worst is over for Del Taco and Far West

By Charles Bernstein

COSTA MESA, Calif.—When W. R. Grace acquired one restaurant chain after another in the late 1970's its goal was to be No. 1 in each major market segment.

Today that goal is proving extremely elusive as overexpansion, a rapid turnover of executives in some of Grace's chains and constant repositionings have made things tough. It's even gotten to the point where reports fly around every week that offers are being made to buy the chains and that Grace may want to sell.

"Our restaurant chains are most emphatically not for sale," declared corporate chairman J. Peter Grace. "There's a real turnaround taking place at Del Taco and at Far West's dinnerhouses, and we're in this for the long pull under group president Anwar Soliman. Our other restaurant chains are fine."

He conceded that profits and return on investment from the restaurant group are "obviously inadequate" but added that "this will change to a better picture."

The group is expected to show a $6 million net profit on $600 million sales this year, compared with last year's loss (because of Dal Taco's estimated $9 million loss) on $525 million sales. But the 1% profit to sales ratio and 5% estimated return on equity are far below corporate goals which call for a 20% ROI.

Plans to double the number of Grace restaurants over the next five years have been shelved in favor of boosting the unit volumes and profits.

Del Taco is nowhere near challenging Taco Bell for leadership in the Mexican fast-food segment and is trying to grow again after trimming down to fighting weight. El Torito finds itself partially outflanked by other emerging Mexican dinnerhouse chains. Coco's and JoJo's are being outpaced by Denny's, Bob's Big Boy and others in the coffee shop/family restaurant market. Reuben's, Plankhouse and various Far West dinnerhouses are running well behind the leaders in the chain dinnerhouse market.

The strongest chain in Grace's arsenal, Houlihan's (Gilbert/Robinson), is fighting TGI Friday's for pre-eminence in the casual dining market and is proving an especially bright spot for Grace.

Grace's efforts to operate so many diverse chains may be part of the problem, but it goes deeper than that.

Personnel turnover at Far West and Del Taco have made it difficult to establish continuity until now. With a new team now in place at these chains, a rebuilding process has started that Grace is determined will bring them back to a healthy return on investment.

"They finally have their key people in place," said one source close to Far West Services. "The new team has to be given a chance to turn things around."

The turmoil at Far West seemed to come after John McIntosh, the entrepreneur and founder who had run things for 30 years, left the operation. Grace named Edwin Weber as Far West president 2½ years ago, and then Weber left this spring after being stricken with an illness. (It may have been time for a change anyway.)

Vincent Kikugawa, 38, former head of Hosts International's dinnerhouses, has been brought in to head Far West's dinnerhouses while John Weaver moves over from operations executive vice president for the Grace restaurant group to head Far West's Coco's and JoJo's.

The some 100 dinnerhouses are averaging only $1.1 million annual per unit sales—considerably below par in this market. Some of the older Far West dinnerhouses are showing declines. But they do have potential if they can be converted to a streamlined concept, since the leases for these old units were signed at low rental terms.

"You're bound to have some weaker dinnerhouses in a big mix," said Anwar Soliman, president of the Grace restaurant group and of the new Grace Restaurant Co. (Far West, El Torito and Gilbert/Robinson), which was created to give these chains more combined real estate and financial clout.

He indicated Grace would concentrate on solidifying the basics "on the dinnerhouses menus, operations, people and training. There is no one thing wrong with these restaurants. It's just a matter of finding the right combinations and emphasizing the basics."

While Far West tries to project an individual image in many markets, its scattering of dinnerhouse, specialty restaurant and theme restaurant names and concepts may do it more harm than good. These include Reuben's, Plankhouse, Moonraker, Moorings, Summerhouse, Gorda Liz and Baxter's and Dunbar's casual restaurants, and McFadden's seafood houses.

The policy has veered back and forth. At one time "entertainment-theme" restaurants were supposed to be the answer. More recently, a streamlined Baxter's theme, Dunbar's or McFadden's was to replace many of the dinnerhouses.

(Continued on page 134)

IDQ set to acquire Golden Skillet chain

By Donald Frazier

RICHMOND—International Dairy Queen has agreed to acquire the 221-unit Golden Skillet chain for an undisclosed sum, according to officials of both companies.

The sale was slated to be ratified in a Nov. 28 meeting of Golden Skillet shareholders. The family of recently deceased company founder C. W. Guthrie, which negotiated the agreement, owns or controls more than 90% of the company's stock.

International Dairy Queen plans to continue operating the fast fried chicken chain under the Golden Skillet name, IDQ president Harris Cooper said.

He also plans to actively franchise the concept which is now located mainly in Virginia and the Carolinas. Although Golden Skillet now operates a few company-owned stores, the chain will be entirely franchised when it falls under IDQ's control this month. The modest size of the chain has hindered its ability to market or expand effectively and has limited its purchasing power, president Joseph Guthrie said. Its 1981 sales have been estimated at $55 million.

An average Golden Skillet unit posts annual sales of about $260,000. But this amount, Cooper stresses, is weighed downward by the several marginal and old-fashioned units, many dating from the chain's birth in 1963.

At $3.50, its average check per person exceeds that of other chains in its segment.

The move is IDQ's first acquisition outside of the soft-serve ice cream market. The company has for the last few years been searching for a viable noncompeting chain which could benefit from IDQ's hefty resources.

Cooper feels IDQ will be able to assist Golden Skillet's growth in several areas, such as marketing, purchasing and distribution, insurance, site selection and operations.

Advertising will play a key role in the planned expansion of Golden Skillet, Cooper said. The new licensing contract will include a requirement that franchisees contribute to the promotional effort in their market.

For this reason, Cooper said, initial expansion efforts will be aimed at filling in existing Golden Skillet markets to maximize the benefit of advertising.

Cooper also anticipates the eventual diversification of the Golden Skillet menu, which is now limited to chicken and complementary dishes such as coleslaw, beans and potato salad. In particular, he anticipates the development of a "country breakfast."

Golden Skillet's outstanding debts may have played some role in convincing the Guthrie family to place it on the block.

IDQ plans to establish a training center for Golden Skillet near its Minneapolis headquarters.

It will also retain several Golden Skillet officials. Charles Cocotas, Golden Skillet's executive vice president and Glenn Lindsay, its head of research, development and training, will continue in these capacities for IDQ's new Golden Skillet staff.

Meanwhile, members of the Guthrie family including Golden Skillet president Joseph Guthrie and purchasing vice president Jim Guthrie, will become Golden Skillet franchisees.

Trying to catch up to other pizza chains

Shakey's adds to menu, remodels

By Diane C. Farewell

DALLAS—Shakey's Pizza is trying to broaden its market with unit remodeling, pan pizza, and pasta dishes.

These moves are part of a continued turnaround effort by the chain, which is owned by Hunt International, and which has posted increased profits and higher sales for three consecutive years.

Industry observers and some franchisees are skeptical, however, of the amount of progress actually made. Despite obvious gains, they say, Shakey's is falling behind newer, more aggressive chains in both sales and number of units. The company, which was a pioneer in the pizza segment, now ranks fourth behind Pizza Hut (3,950 units), Pizza Inn (750 units), and Godfather's (640 units). Competitors estimated Shakey's 1980 systemwide sales at $148 million which would put them fourth in this category too.

Shakey's has 500 units worldwide. Since 1977 the number of company owned units has dwindled from 85 to 50.

Shakey's doesn't see this as a problem. Alan Kinsella, manager of marketing services, said the company would "grow at a rate comfortable to Shakey's which may or may not be as fast as other pizza chains."

Not only has Shakey's lagged behind in unit growth and sales, but also with menu development. Pan pizza was just introduced this fall more than 18 months after Pizza Hut rolled out the product.

The pan pizza was rolled out after more than two years of research and testing. In test markets the product achieved 12% to 15% of total pizza sales and increased overall sales.

Shakey's president Louis Cappello said the pan pizza answers a consumer demand for better price/value. He said that except for a special dough blend, no new food inventory items were required, and only minimal equipment additions were needed. Shakey's expects the pan pizza to be in most of its units by Spring, 1982.

Other menu items introduced by the chain over the last year have been pasta, spaghetti, lasagne and manicotta. These items are used in varying degrees throughout the system.

In addition to the menu, the company has been trying to change its image to more of a family style restaurant. The majority of the system's units have already been remodeled and are no longer typified by long benches and picnic tables.

Continuation of this program, plus increased emphasis on local advertising and ongoing menu expansion are expected though the coming year.

FINANCIAL NEWS

Chart House 3rd qtr. net rises 18%

LAFAYETTE, La.—Chart House Inc., operator of Burger Kings, Chart House, Cork 'N Cleaver, Cisco's Cafe and Luther's Bar-B-Que restaurants, reported net income rose 18% to $5.5 million for the third quarter ended Sept. 30 compared with the same period last year.

Revenues rose 13% to $93 million.

For the nine months ended Sept. 30, net income increased 19%, to $12.4 million, on a revenue increase of 15%, to $263 million, compared to the first nine months of 1980.

The company attributed the "consistency" of results in 1981 to a continuation of stabilized meat prices and growth in the company's in-store management.

Chart House said its Burger King division—with 367 units, the company is the largest-single franchisee of BK's in the United States—is preparing to roll out Burger King's veal parmigiana specialty sandwich.

Chart House also said it would continue converting selected Cork 'N Cleaver steak restaurants to Cisco's Mexican dinnerhouses, though Cork 'N Cleaver, now numbering 60 units, will remain "a viable entity."

There were nine Cisco's in operation at the end of the quarter. By year's end, a total of 13 will have been converted, Chart House said. Meanwhile, construction of a new free-standing prototype Cisco's has begun, and Chart House projects opening six such units over the next 12 months.

Chart House also had nine new Chart House restaurants under construction, at the end of the quarter. Most of these are scheduled to open in 1982. There are currently 45.

Plans for the company's most recent acquisition, Luther's Bar-B-Que, are now being drafted. Chart House acquired all of Luther's stock in October.

Luther's operates six and franchises three limited menu restaurants featuring beef brisket, pork ribs, sausage and chicken.

Chart House's various concepts are located in 31 states and the U.S. Virgin Islands.

Calny shortens its name

SAN MATEO, Calif.—Calny Inc. is the new name of Calny Food Services.

The company said that consumer confusion over the meaning of the old name led to the change.

Calny operates 46 franchised Taco Bell restaurants in northern California and Nevada and nine buffet style restaurants in California and Hawaii under the names Okie Frijole, Perry's Smorgy and Early California Buffet.

Regional pizza chain files Chapter XI

BERKELEY, Calif.—Cal-Lewis Inc., operator of five J. J. Mills Pizza n' Seafood restaurants and a Pizza Cove restaurant, has entered Chapter XI

Pizza Inn earnings soar 30%

DALLAS—Pizza Inn, operator of 750 pizza restaurants, reported net earnings rose 30% to $480,000 from $369,000 in the third quarter ended Sept. 27.

Revenue increased 14% to $36 million.

For the first nine months, net earnings increased 5% to $1.36 million. Revenues were up 13% to $103 million.

Average restaurant volumes during the third quarter increased 16.5% over the third quarter of 1980. Average annual unit volumes were estimated at $275,000 for 1980.

Food-service chain stock analysis table

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION					
		Two Weeks Ended Nov. 20							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change		5-Year Annual Growth Rate	Profit Margin							Last Fiscal Year (Per Share)		
					Change		52-Week						Last Fiscal Year	Amt.	Pct.			Latest P/E Ratio	Indicated Dvd. Rate		Last X-Dvd. Date	Last Fiscal Year		Current Ratio	Long Term Debt	Common Stock Equity	Last Balance Sheet Date
Name	Symbol	High	Low	Close	Amt.	Pct.	High	Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days							Amt.	Yield		Revenue	Earnings				
—	—	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	—	$	%	—	$ Mil.	$ Mil.	—	$	$	—
Aca Los A Res	ALAR	6.88	5.88	6.00	-.88	-12.73	10.63	5.38	-.32	-3.90	-1.30	6.52	.34	.02 N	5.8	14.0	5.8	16.7	.00	.0	01-06-81	19.1	1.1	.8	1.1	2	1080
Am Motor Inns	INN	15.38	13.38	14.13	-1.25	-8.13	21.88	10.00	.12	-1.03	-3.06	8.41	1.67	.40 F	31.4	73.0	6.3	8.5	.20	1.4	07-27-81	114.7	6.7	1.4	17.7	8	0780
ARA Services	ARA	27.00	25.00	25.00	-1.50	-5.66	37.25	23.75	-.03	-1.16	.06	17.42	5.33	-.36 N	-6.8	7.0	2.3	5.1	2.00	8.0	11-24-81	2806.0	63.2	1.2	21.0	42	0980
Assoc Hosts	AHST	5.13	4.88	4.88	-.25	-4.88	8.63	4.38	-.28	-1.76	2.82	-11.07	.80	-.37 N	-36.6	-2.0	3.3	7.6	.12	2.5	09-08-81	76.8	2.5	1.3	6.7	6	0980
Beefstk Char	BSCC	4.13	3.38	3.38	-.75	-18.18	4.88	1.63	.71	-1.95	8.28	59.63	.47	.14 S	31.8	41.0	2.3	5.8	.00	.0	00-00-00	47.7	1.1	8	1.8	2	1080
Bob Evans Farms	BOBE	20.25	20.00	20.25	.00	.00	22.69	15.19	-.33	.06	1.92	28.55	1.35	.29 S	26.1	33.0	9.1	14.5	.40	2.0	09-21-81	125.2	11.4	1.7	0	5	0480
Bonanza Intl Inc	BNZA	2.19	1.75	1.88	.00	.00	6.88	1.75	-.50	-2.27	2.01	-54.06	.24	-1.49 N	-647.8	-37.0	4.2	NE	.00	0	00-00-00	25.9	1.1	1.6	12.9	5	1280
Calny Food	CLNY	11.75	11.25	11.50	-.25	-2.13	15.50	8.50	-.24	-.33	13.20	3.11	1.35	-.07 S	-4.5	8.0	2.2	7.9	.20	1.7	10-28-81	41.7	9	4	14.4	6	0281
Carrols Develop	CRL	6.25	5.63	6.00	.00	.00	12.88	4.38	-.34	.32	.57	-4.65	.95	.49 Q	75.3	34.0	2.4	5.3	.09	1.5	12-24-81	75.6	1.8	7	11.1	5	0581
Chart House	CHHO	20.63	20.13	20.25	-.63	-2.99	22.88	10.06	.24	-.25	.69	-11.76	1.75	.28 N	16.5	12.0	4.9	10.3	.52	2.6	07-16-81	312.5	15.2	1.1	12.3	9	1280
Chi-Chis	CHIC	20.50	18.13	18.50	-2.00	-9.76	27.25	11.94	.09	.07	8.33	15.16	.46	.34 Q	161.9	35.0	12.9	33.6	.00	.0	06-02-81	7.5	.5	2.1	1.3	1	0480
Ch Full O Nut	CHF	13.50	11.75	13.38	1.13	9.18	13.75	6.00	.34	1.90	-2.92	28.52	.66	-.03 F	-4.3	8.0	2.7	20.3	.40	3.0	06-24-81	118.7	3.2	3.4	.8	5	0781
Churchs Fr Ch	CHU	27.50	26.63	27.13	.25	.93	37.38	23.25	-.08	-.16	-.77	-43.28	3.01	.55 N	18.7	24.0	9.9	7.8	.84	3.1	10-26-81	386.5	38.1	1.4	1.1	13	1280
Cindys Inc	CNDYC	3.13	3.00	3.00	.00	.00	4.63	1.50	.68	-1.44	1.68	-13.07	-1.43	-1.09 F	NE	NE	-17.3	NE	.00	.0	00-00-00	16.8	-2.9	.0	6.2	0	1280
Collins Foods	CF	12.38	11.63	11.88	-.25	-2.06	14.91	7.13	-.02	-.21	-4.93	-30.68	1.56	.23 Q	15.0	10.0	2.8	6.7	.24	2.0	10-26-81	265.2	7.5	1.4	10.6	13	0481
Consul Corp	CNSL	7.88	7.25	7.75	.50	6.90	10.13	5.00	.26	.00	10.24	-6.85	-.08	.07 Q	NC	NE	-1.5	110.7	.00	.0	00-00-00	6.8	-.1	8	6	1	0581
Dennys Inc	DEN	30.13	26.25	29.63	.38	1.28	31.75	17.13	-.17	1.94	-.71	-6.81	2.96	1.12 Q	54.6	5.0	3.2	9.3	.88	3.0	12-08-81	840.7	26.9	1.5	24.0	20	0681
Dunkin Donuts	DUNK	14.88	13.63	13.63	-1.00	-6.84	18.25	9.34	.22	-1.07	-2.99	-23.62	1.53	.35 N	24.6	21.0	8.2	7.7	.30	2.2	08-17-81	60.0	4.9	1.5	12.4	9	1080
Frischs	FRS	8.75	8.25	8.50	-.13	-1.45	9.00	4.75	.85	-.15	-.66	61.54	1.45	.71 Q	66.9	13.0	3.0	4.8	.38	4.5	11-30-81	97.0	2.9	1.2	7.5	13	0581
Ginos	GNO	18.25	14.50	16.75	-.25	-1.47	18.25	6.75	.92	2.88	-2.59	-2.86	1.67	.47 N	470.0	-5.0	1.4	29.4	.44	2.6	11-12-81	320.8	4.5	.9	38.2	11	1280
Hambrg Hamlet	HAMB	7.00	6.75	6.75	-.25	-3.57	9.00	6.25	.02	-1.45	11.11	42.86	.27	-.95 F	-77.8	-16.0	.7	25.0	.00	.0	00-00-00	24.0	.9	1.0	18.1	12	0380
Hardwicke	HAWK	2.88	2.75	2.88	.13	4.55	11.25	2.63	-.10	-.22	1.59	7.69	.44	-.20 N	-34.4	-10.0	8.6	7.6	.00	.0	00-00-00	22.2	1.9	1.8	13.8	10	0980
Hilton Hotels	HLT	40.63	38.75	38.88	-1.25	-3.12	52.25	33.25	.29	-.41	-1.75	-25.18	4.00	.21 N	5.3	35.0	20.3	9.4	1.60	4.1	08-31-81	523.1	106.1	2.2	4.6	17	1280
Holiday Inns	HIA	29.75	28.50	29.38	.75	2.62	33.25	21.13	.60	-.13	-.41	28.90	2.92	.69 N	23.6	28.0	7.1	8.1	.74	2.5	09-14-81	1533.8	108.3	1.0	17.6	22	1280
Holiday Inns A	HIA A	44.13	42.25	43.00	.00	.00	48.75	32.25	.62	-.32	1.81	.00	NA	NA	NA	NA	NA	NA	.00	.0	00-00-00	NA	NA	NA	NA	NA	NA
Horn & Hardart	HOR	13.50	10.50	13.25	1.00	8.16	21.63	8.00	1.16	4.44	4.56	44.73	.96	.10 N	10.1	42.0	3.1	12.2	.00	.0	03-10-80	128.2	4.0	1.8	16.9	7	1280
Host Intl	HII	22.13	19.00	22.00	1.75	8.64	23.63	12.00	1.80	1.50	3.59	24.58	2.74	-1.82 N	-62.1	4.0	3.9	19.8	.60	2.7	12-09-81	356.7	14.0	1.1	12.6	17	1280
Hungry Tiger	HTIG	7.25	6.75	7.00	-.25	-3.45	9.38	5.25	-.09	-.72	3.53	26.09	.92	.13 F	16.4	64.0	3.2	7.6	.00	.0	08-24-81	49.9	1.6	.8	5.8	4	0881
Imperial Grp	IMT	1.31	1.19	1.31	.06	5.00	2.00	1.06	.33	.00	-9.19	-52.73	62	-.15 S	-21.1	28.0	2.1	2.3	.16	12.2	09-28-81	8700.9	178.4	9	.8	3	1080
Intl Dairy Queen	INDQ	11.75	11.50	11.75	.00	.00	13.25	8.13	-.37	.32	1.50	-7.73	1.34	.30 N	22.7	51.0	6.1	7.3	.00	.0	00-00-00	77.2	4.7	1.1	12.8	5	1180
JBs Rest	JBBB	3.50	2.88	3.50	.25	7.69	4.50	2.63	.12	5.77	-.21	24.35	.35	.54 N	NC	-2.0	2.0	6.5	.00	0	00-00-00	29.8	6	1.1	3.9	5	0980
Jerrico Inc	JERR	21.63	19.88	19.88	-1.75	-8.09	27.63	14.19	-.03	-1.52	1.95	-8.09	1.70	.45 Q	32.6	24.0	5.6	10.9	.12	6	11-06-81	378.2	21.0	1.1	3.7	10	0681
Kapok Tr Inns	KTI	4.13	3.75	4.13	.00	.00	4.38	3.25	-.17	-.30	1.79	.00	.26	-.43 N	-143.3	-21.0	3.6	NE	.00	.0	00-00-00	16.8	6	2.1	2.4	6	0980
Kelly Johnston	KEJO	14.75	13.25	13.75	-1.00	-6.78	16.25	10.75	-.07	.58	-1.24	-8.59	.58	.74 S	NC	148.0	5.9	18.6	.00	.0	00-00-00	11.9	.7	.4	.8	1	0381
Lubys Cafeterias	LUBY	27.00	26.75	27.00	-.50	-1.82	28.25	17.00	-.02	-.12	-5.85	8.39	1.45	.27 F	22.8	24.0	8.9	18.6	.48	1.8	09-08-81	89.9	8.0	1.6	.9	5	0880
Marcus Corp	MRCS	5.88	5.75	5.88	.13	2.17	7.28	5.00	.22	.21	-.20	-81.65	1.15	.08 Q	7.3	7.0	5.8	5.0	.00	.0	08-24-81	98.2	5.7	.7	3.7	7	0580
Marriott Corp	MHS	35.50	32.25	33.63	-1.63	-4.61	47.00	27.88	-.14	-.58	-.60	48.50	2.60	.59 N	23.9	28.0	4.2	11.0	.30	.9	12-21-81	1718.7	72.0	.9	22.4	12	1280
McDonalds Cp	MCD	69.88	65.50	67.50	.13	.19	72.88	43.75	-.02	.26	-1.76	6.52	5.49	1.03 N	19.4	19.0	10.1	10.7	1.00	1.5	10-27-81	2184.3	220.9	.7	24.2	28	1280
Morrison Inc	MORR	9.25	8.63	8.63	-.50	-5.48	13.88	8.25	-.29	-1.08	-.85	15.59	.95	-.04 Q	-4.0	6.0	3.9	9.1	.32	3.7	10-09-81	319.8	12.4	1.3	2.7	7	0581
Mr Steak	MSST	2.63	2.13	2.13	-.50	-19.05	4.75	2.13	-1.22	-3.58	-1.40	23.85	.19	-.23 N	-57.5	42.0	.5	12.5	.02	.9	05-29-80	56.3	.3	1.6	3.9	5	0980
Nathans Famous	NATH	1.38	1.13	1.25	.25	25.00	2.38	.88	1.12	-2.46	-1.38	-20.59	-.87	-.53 Q	NE	NE	-7.9	NE	.00	.0	00-00-00	21.5	-1.7	.4	.2	2	0381
Oakbrook Cons	OKCO	9.00	9.00	9.00	.00	.00	12.25	9.00	-.15	-.35	2.62	.00	1.28	.71 N	63.3	19.0	1.0	4.9	.32	3.6	09-10-81	126.2	1.3	.8	4.9	11	0980
Orange-co	OJ	10.50	8.13	10.00	1.88	23.08	10.50	5.00	.20	3.18	1.39	34.92	1.05	.55 F	110.0	23.0	5.2	9.5	.20	2.0	11-19-81	76.4	2.3	2.6	9.8	6	0880
Piccadilly Caf	PICC	14.75	14.63	14.75	.13	.85	19.00	11.88	.04	-.04	.59	-60.37	1.30	.25 F	23.8	13.0	6.1	11.3	.48	3.3	12-09-81	127.2	7.8	1.7	.0	6	0681
Pizza Inn	PZA	7.25	6.63	6.63	-.50	-7.02	11.50	3.88	-.28	-1.28	-2.74	-20.59	.59	.08 N	14.5	-2.0	1.4	10.5	.00	.0	00-00-00	120.7	1.7	1.1	14.0	6	1280
Ponderosa Sys	PON	16.38	14.50	15.00	-.88	-5.51	19.75	9.88	.24	-.62	2.45	-7.42	.60	-.25 S	-17.0	1.0	.8	12.3	.40	2.7	09-15-81	329.6	2.6	.8	22.3	15	0281
Ramada Inns	RAM	6.13	5.25	6.13	.25	4.26	12.50	5.25	-.31	.43	1.24	15.58	.53	.70 N	184.2	33.0	4.1	5.7	.12	2.0	10-19-81	366.1	15.1	.8	14.4	6	1280
Restaur Assc	RA	5.00	4.63	4.63	-.38	-7.50	8.25	3.13	-.19	-1.06	-4.13	45.35	.64	.39 N	60.0	29.0	1.6	4.4	.00	.0	00-00-00	95.8	1.5	1.3	3.9	5	1280
Saga Corp	SGA	21.25	18.63	19.00	-1.13	-5.59	23.75	7.25	.08	-.93	-5.58	-14.79	2.36	1.05 Q	68.6	15.0	1.4	7.4	.44	2.3	11-16-81	819.0	11.6	.9	9.3	15	0681
Sambos Rests	SRI	2.75	1.75	2.13	-.63	-22.73	6.25	1.75	-1.31	-5.29	2.41	30.45	-1.05	2.34 N	NE	-55.0	-2.4	3.5	.00	.0	12-19-78	489.2	-11.6	1.2	23.9	2	1280
SeaGalley	SEAG	9.25	8.63	9.00	.38	4.35	17.88	5.16	.04	-.07	-.80	24.10	.55	.69 N	NC	53.0	5.7	13.0	.00	.0	06-02-81	22.9	1.3	1.6	2.3	2	1280
Servico Inc	SRVI	8.00	7.75	7.75	-.25	-3.13	13.00	7.00	-.14	-.96	-3.15	-1.09	1.10	1.34 N	183.5	22.0	2.5	2.7	.00	.0	00-00-00	114.4	2.9	1.0	50.1	4	1280
Shoneys Inc	SHON	13.63	13.38	13.50	-.13	-.92	14.16	9.75	-.03	-.16	-2.30	56.61	.83	.16 N	19.7	20.0	5.6	13.9	.16	1.2	10-13-81	210.6	11.8	1.0	1.2	4	1080
Steak n Shake	STAK	2.75	2.63	2.69	-.13	-4.44	3.25	1.44	-.44	.24	-3.07	-13.89	.06	.09 F	NE	-30.0	.5	44.8	.00	.0	05-17-79	60.4	-.1	.8	4.7	3	0980
Treadway	TCO	.00	.00	12.25	.00	.00	12.38	6.25	-.11	-.31	-19.35	.00	.70	-.30 N	-29.7	8.0	4.4	17.3	.28	2.3	06-29-81	22.7	1.0	.6	5.6	7	0880
Valles Steak	VLE	5.00	4.50	5.00	.25	5.26	7.63	4.25	-.55	.79	-1.94	71.43	-.22	-.35 Q	-205.8	-26.0	-.9	NE	.00	.0	11-01-78	65.6	-.6	1.3	7.8	10	0381
Victoria Stations	VSTA	9.25	8.00	8.00	-.75	-8.57	11.25	5.88	.30	-2.39	-4.60	-1.99	-1.85	.72 S	NE	-37.0	-4.3	NE	.00	.0	09-19-79	134.5	-5.8	1.0	9.0	10	0381
Volunteer Cap	VLCC	7.75	7.50	7.75	-.13	-1.59	8.88	4.63	-.08	-.33	-.04	-28.27	-.05	.43 N	NC	-2.0	-2	18.0	.00	.0	00-00-00	62.1	-.1	.6	13.7	6	1280
Wendys Intl	WEN	16.63	14.25	14.75	-1.63	-9.92	19.38	8.59	-.15	-.64	1.01	-10.92	1.34	.32 N	27.3	30.0	8.7	9.9	.28	1.9	10-30-81	347.0	30.1	.5	1.9	6	1280
Webb Del E	WBB	8.13	7.13	7.13	-.38	-5.00	13.63	6.50	-.19	-.35	1.72	-9.34	-.49	-1.54 S	-111.5	-22.0	-.9	NE	.00	.0	11-07-80	486.0	-4.6	1.6	21.8	13	1280

KEY: NA—Not Applicable NC—Not Calculable NE—Negative Earnings Q-First Quarter S-Six months N-Nine months F-Fiscal year
**—Other than a quarterly multiple resulting from a fiscal year change.*

Data and Table Provided by Media General Financial Services, Inc., Richmond, VA 23261

Bonanza 9 mo. loss at $5.7 million

DALLAS—Bonanza reported a $3.9 million net loss for its third quarter ended Sept. 27, compared with net profit of $420,000 for the comparable 1980 quarter. Revenues fell 7% to $6.3 million.

For the first nine months the all-franchised company reported $5.7 million loss compared with a $1.1 million profit for the first three quarters of last year. Revenues were up 4% to $20.2 million.

Bonanza quarterly reports no longer fully reflect results of its former Peoples Restaurants subsidiary, which became publicly held in July. Bonanza retains approximately 40% ownership and derives revenues from service fees and franchises. If a registration statement filed by Peoples last month becomes effective Bonanza's 40% will be sold.

In the third quarter the company became a Peoples franchisee at two former Bonanza locations. Bonanza disclosed that a third such arrangement is planned for the current quarter.

Bonanza attributed the third quarter loss to a $1.6 million write-off of obsolete restaurant equipment (related to closings) and a $1 million bad debt provision to cover losses on closings.

All Bonanzas are franchised. John Boylan, president, said restaurant closings were a result of "Bonanza's aggressive enforcement of its lease and license agreements."

Bonanza franchisees operated 630 units at the end of the third quarter, down from 688 at the end of 1980.

The company reported systemwide sales for the quarter down 6% to $95 million and nine months sales down 4% to $288 million as a result of the closings.

Boyland said per store sales are about equal to last year's $11,400 average.

He noted that 25%-30% of all Bonanzas will have added the Freshtastiks food bar concept to year-end and another 10%-15% during 1982's first quarter. He said that franchisees who have converted to the concept have reported sales 20% ahead of the chainwide average.

EARNINGS REPORT

Company	Period	Period Ended	Total Sales*	% Change	Revenues*†	% Change	Net Income (Loss)*	% Change
Bonanza	9 mos.	9/27			$ 20.179	3	$(5.682)	—
	3 mos.	9/27			6.285	– 7	(3.893)	—
Chart House	9 mos.	9/30			92.735	13	5.500	13
	3 mos.	9/30			262.705	15	12.396	19
Cindy's	9 mos.	9/30			12.947	1	0.378	3,680
	3 mos.	9/30			3.974	–25	0.346	2,783
Frisch's Rest.	16 wks.	9/20			33.524	6	1.301	93
Naugle's	3 mos.	10/15			15.420	39	0.726	**
Pizza Inn	9 mos.	9/27			103.752	13	1.368	5
	3 mos.	9/27			36.532	14	0.480	30
Ramada Inns	9 mos.	9/27			309.071	11	(29.254)	—
	3 mos.	9/27			110.200	11	(38.378)	—
Resorts Int'l	9 mos.	9/27			276.244	– 7	(2.634)	—
	3 mos.	9/27			100.095	– 4	(10.044)	—
Restaurant Associates	39 wks.	9/26	$74.111	3			2.810	101
	13 wks.	9/26	25.731	1			0.757	0
Steak n Shake	1 yr.	9/30			57.235	– 6	0.301	**
Taco Viva	1 yr.	5/31	9.817	47			0.336	42
	3 mos.	5/31	2.605	72			0.140	22

Source: *Company earnings reports*

—loss in corresponding period
**In millions*
†In cases where companies do not break out their total sales for all units, revenues are indicated instead. These generally consist of company-owned restaurant sales, franchise fees and rental incomes, royalties and operating income, as well as other miscellaneous incomes, such as interest income and gains on real estate and construction.

VS strives to stabilize beef prices

LARKSPUR, Calif.—Victoria Station is now hedging forward beef prices without obligating itself to any single supply source.

The company says this will guarantee a stable price and keep overall food costs under 40% of sales.

Hedging beef prices, as a general practice, has been a Victoria Station purchasing policy since October 1975, according to Robert Gunst, chief financial officer. "Other than during two quarters when special situations arose, we have always followed that policy since that time," he said.

One of those quarters was fiscal 1981's second quarter when, according to the company, uneven quality necessitated the cancellation of its forward beef hedges. This resulted in Victoria Station's having to pay 35% more for prime rib than it would have otherwise.

This experience led to the company's present fresh beef hedging policy.

Gunst noted another relatively recent change in Victoria Station policy—the adoption of new accounting standards for dealing with leases.

The company is party to $21.6 million in noncancellable capital lease arrangements. Under the newly adopted accounting standards the noninterest portion of the total lease obligation is capitalized. Gunst noted that only $9.6 million of the $21.6 million represents capitalized value.

He said that the accounting change had, to date, caused the company to charge $1.2 million more to expenses than it would have otherwise—thus lowering its reported profits

I.F.A. lobbies

Subfranchising redefined

WASHINGTON—Lobbyists for the International Franchise Association coaxed the Senate into amending key provisions of a proposed Federal Criminal Code bill which would have outlawed subfranchising by fast-food chains.

As originally introduced by Sen. Edward Kennedy (D-Mass.) last year, the sweeping anticrime legislation would have defined subfranchising as an illegal pyramid sales scheme prohibited by Federal law.

IFA officials filed an immediate protest on Capitol Hill, warning that the language of the bill would unintentionally prohibit legitimate franchisors from entering into subfranchising arrangements.

Corrective language drafted by the association was incorporated into the House version of the measure, but the Senate refused to budge.

Time ran out on both bills last session, but new legislation to reform the Federal Criminal Code surfaced again this year. This time around, however, IFA convinced both the House and the Senate to include specific provisions to exclude subfranchising from the definition of an illegal pyramid sales scheme.

The newly revised Senate version—introduced by Judiciary Committee Chairman Strom Thurmond (R-S.C.)—"is not as appealing to us as the House bill, but it does represent a major improvement over the 1980 Senate language," IFA Government Relations Director Jerry Wilkerson said.

IFA's next step, according to Wilkerson, will be to encourage Thurmond's committee to place a disclaimer in their legislative report "making it crystal clear that subfranchising is a legitimate and legal industry practice."

IFA "totally supports efforts by Congress to drive the unscrupulous, fly-by-night pyramid scheme promoters out of business," but "this can and should be done without subjecting legitimate subfranchisors to criminal penalties," he said.

Custom Management purchases Isaly Co.

PHOENIX—The rapidly growing Custom Management Co. has recently added a restaurant group—its first—to its more than 300 institutional and contract operations.

CMC bought the mostly franchised Isaly Co., a 90-unit chain of delicatessens based in Pittsburgh, from the Clabir Corp. for a relatively low $1.7 million, according to president John Metz.

The Outlook

The acquisition comes close on the heels of another CMC purchase, that of the entire 28-hospital Ogden Food Services health care division. Those new accounts catapulted previously modest CMC into the second tier of contract feeders. The company's total sales last year were more than $130 million.

Ed Johnson, formerly of Truckstops of America, was named to head the new customer restaurant division. Johnson, according to Metz, hopes to increase the delicatessens' profitability by emphasizing the quality of their food and ice cream. The 20 company-owned stores, Metz claimed, made about $10 million last year.

On the drawing boards, Metz said, is a downscaled and reconceived Isaly's—tentatively dubbed "Isaly's Jr."— which may appear on or around CMC campuses.

The Isaly's Jr. project is intended to capture a share of one of the rapidly expanding markets facing the educational contract operator: "nontraditional" students.

But Metz said CMC has no plans to address this market by integrating cash and contract operations, as some of the larger groups such as Saga and ARA have done for some accounts.

CMC apparently doesn't need this innovation. Metz said the cash operations at his company's colleges and universities have grown a consistent 15% for each of the last several years.

The company also recently bought the 30-account health care division from Macke, Metz said.

Naugles earnings rise in 1st quarter

FULLERTON, Calif.—Naugles Inc., which operates 70 Mexican American fast-food restaurants, reported a rebound from a $102,183 net loss during the first quarter of last year to a $725,944 profit for the same period this year.

For the 16 weeks ended Oct. 16, the first quarters, revenues rose to 36% to $15 million from $11 million a year ago.

Harold Bulter, chairman and ceo, said the improvements result from the addition of 17 new stores during the past year and an increase in average unit sales. Naugles operates restaurants in California, Nevada, Utah, Missouri and Illinois with 10 additional stores now under construction in those states and in Kansas.

In October, the company publicly offered 1.1 million shares of its common stock.

CLASSIFIED ADS GET RESULTS

in

Nation's Restaurant News

ShowBiz reaches accord

TOPEKA, Kan.—ShowBiz Pizza Place Inc. and American Principals Corporation reached a multimillion dollar agreement for the sale and leaseback of selected ShowBiz Pizza Place restaurants nationwide.

Land and buildings will be developed by ShowBiz, an 80%-owned subsidiary of Brock Hotel Corporation, then sold to American Principals Corporation, a real estate investment firm based in Del Mar, Calif. The restaurants will be leased back to ShowBiz for operation.

Sales Prospects

Total investment by American Principals Corp. will be in excess of $20 million.

The ShowBiz Pizza Place chain has 34 restaurants in operation and plans to open new 10,000-sq.-ft. restaurants at the rate of one per week, according to Robert L. Brock, president and chairman. Sales for the units average more than $1 million each annually.

Sites

ShowBiz Pizza Place restaurants are located throughout the Midwest and Sunbelt regions. The restaurants feature larger than lifesize computer animated characters performing rock 'n' roll shows and comedy skits in a theater dining room, a large game room containing more than 60 electronic and video games

Clarification

DENVER—Robert Hite, Mr. Steak legal affairs vice president, emphasized that while industry expansion has been slowed by current high borrowing costs, Mr. Steak "has cash and access to borrowing. . . ."

Original Version

In an Oct. 26 article on restaurant growth financing *Nation's Restaurant News* quoted another Mr. Steak official as saying that the company relied on franchising because it didn't have the cash to finance expansion on its own.

NRN FOCUS

PROFILE: DENNY'S INC.

DENNY'S GAINING IN CUSTOMER TRAFFIC RACE

Comparison with Sambo's, Big Boys, Country Kitchen and Perkins (1979-81)

For Year Ended . . .	Feb. 1979	May 1979	Aug. 1979	Nov. 1979	Feb. 1980	May 1980	Aug. 1980	Nov. 1980	Feb. 1981	May 1981
	15.9%	*16.9%*	*16.9%*	*17.8%*	*19.3%*	*19.3%*	*20.6%*	*21.6%*	*22.1%*	*22.5%*

Denny's share of traffic has steadily risen over the past two years when its totals are included with Sambo's, Big Boys, Country Kitchen and Perkins. Denny's has gained at the expense of Sambo's, which plummeted from a 25.4% share in the year ended February 1979 to an 18.3% share for the year ended May 1981, and Big Boys, comprised of 21 separate groups. Big Boys still have the biggest traffic share at 39.1%, but this dropped from 43.1% between mid-1980 and mid-1981. (CREST information is based on a quarterly national cross-section of consumer diaries.)

Source: *CREST*

Front-running coffee shop chain seeks to widen the gap

(Continued from page 47)

Meanwhile, Denny's restaurants profit margins (operating income compared with revenues) have been under severe pressure and rose only slightly, from 6.3% to 6.5% in the latest fiscal year. The chain hopes to keep moving this margin toward the 9% level of a few years ago.

(Winchell's profit margins soared from 3.7% to 5.9%. Winchell's would like to move this toward the 10% level but doesn't feel it can again achieve the 12% of a few years ago.)

Denny's combined food and labor costs (including fringe benefits) are running at an average of 66% of sales, or a point above the coffee shop norm. If the chain can keep its costs in line while continuing to increase unit volume, perhaps the 31% food cost and 35% labor cost ratios will drop slightly and margins will improve.

Margin potential was sacrificed in an effort to establish an upward long-term traffic pattern as Denny's restaurants raised annual advertising expenditures from $11.6 million to $17.9 million in its latest fiscal year.

A series of specially priced promotions cut into margins too. The most prominent was a $1.99 Grand Slam breakfast platter (two pancakes, two eggs, two bacon strips and two sausage links) which now has been raised to $2.49. A Beefadelphia sandwich (a new version of the Philadelphia cheesesteak sandwich) is selling at $2.99 but will have to go to $3.45 soon.

Once the promotions end, Denny's will gladly settle for 1% or 2% annual traffic rises, after a 3% increase in its latest fiscal year and a 4.5% jump for the first quarter.

Denny's eschews gimmicks and does it all without any identifiable signature item or any character. Of course, one might consider Denny's 45-cent coffee as a signature item.

But the fact is that the price is more than double what it was originally and Denny's deliberately doesn't emphasize any particular item other than in special promotions. Actually the ratio of coffee and hamburger sales has steadily dropped as Denny's adds more items.

This lack of any signature item could be construed as either a strength or a weakness, depending on one's perspective. On the one hand it gives Denny's complete menu flexibility. On the other it hinders an individual identification for the chain, which wants to be known for its own uniqueness.

Denny's has one 24-hour menu, but its meal periods divide into four basic categories . . . "breakfast" from 4 a.m. to 10 a.m., "lunch" from 10 a.m. to 4 p.m., "dinner" from 4 p.m. to 10 p.m. and "supper" from 10 p.m. to 4 a.m. (Actually meals overlap to other time slots, for example, breakfast is available 24 hours daily.)

The morning breakfast period tends to be less than 20% of Denny's sales in most markets (breakfast grabs at least 15% of Denny's sales in other time slots), while lunch accounts for perhaps 35%, dinner 25% and supper 20%. These estimates indicate that fast feeders have taken a share of Denny's morning business and that the chain will have to devise strategy to overcome this.

Actually total Denny's sales in the 4 a.m. to 10 a.m. slot have risen slightly over the years but have declined as a relative proportion of sales since other meal periods have increased their share.

The one meal period that seems to be more than holding its own is from 10 a.m. to 4 p.m. Dinner from 4 p.m. to 10 p.m. is an area where Denny's would like to gain from other segments.

Another question about Denny's is the average ticket, which reached $2.85 per person in the latest fiscal year. There are also two ways of looking at this: (1) that it's not so much above fast feeders and that Denny's can woo business away from them with tastier food, nicer surroundings and no plastic utensils, or (2) that it's not so much below other restaurant segments and that Denny's could lose business to these segments if it keeps raising prices.

It seems inevitable that Denny's average ticket will top $3 soon even with just its 7% annual menu price rises, plus new items being introduced. Since the $2.85 average includes a number of customers who just have coffee or snacks, the average meal for many people is $4 or $5. Denny's will have to watch this carefully to avoid possible price resistance.

Finally, while Denny's has enjoyed major success in the West and Florida, it has encountered difficulties in areas of the Midwest and Northeast. It rebounded in Chicago, Pittsburgh and some other markets and hopes to add more units to these areas to provide sufficient advertising saturation.

CHECK AVERAGES AT A GLANCE

Chain	Average Per Person Check
Perkins Pancake	$3.25
Big Boys	2.90
Denny's	2.85
Country Kitchen	2.80
Sambo's	2.50

Source: *NRN* Research

Denny's average check falls in the middle range of major coffee shop/family restaurant chains.

NRN FOCUS

PROFILE: DENNY'S INC.

New menu strategy reflects specific geographical tastes

LA MIRADA, Calif.—After years of merchandising all the same items throughout the country, Denny's finally has realized that "an absolutely consistent menu everywhere is not advisable."

A regionalized and localized menu for Denny's is now combined with a strong decentralized organization in 14 separate regions.

"We haven't achieved our potential in a number of markets," conceded president Vern Curtis, "because we've tended to be the same in every market despite considerable differences in eating habits from one geographical section to another."

Now Denny's is emphasizing the geographic differences as well as the standard items which comprise most of its menu. Salads and fruits are receiving extra emphasis in the California restaurants, chicken fried steak in Texas and meat-and-potatoes cold weather specials in Northeastern markets.

In New England it's braised sirloin tips. In Philadelphia it's the Beefadelphia sandwich (a new version of the Philadelphia cheesesteak sandwich), and scrapple ("you can't have breakfast in Philadelphia without scrapple," noted one Denny's marketer). In Miami it's lox.

In the South it's a country breakfast of biscuits, sausage gravy and chicken fried steaks in contrast to the eggs and pancakes promoted for Denny's breakfasts in the rest of the country.

Denny's also is adjusting to the fact that dinner is stronger in the Northeast than in California, where a more casual lifestyle and the dominance of highway car travel make breakfast a highly significant meal.

"We've tended to be the same in every market despite considerable differences in eating habits from one geographical section to another."

"Hot and hearty" dinner specials are being heavily promoted in the Northeast with sirloin tips, meat loaf and salisbury steak at dinner prices of $2.29 to $2.79.

"We want to keep our national image but customize local menus to specific regions," said Denny's restaurants general manager David Bixler.

Ethnic foods are being eyed in major metropolitan areas, and "healthy foods" are being stressed. Grilled trout has been added "to show that we have a nondeepfried fish available all over the county," but in the South it's catfish.

Sandwiches with avocado and sprouts, steamed vegetable entrees and fruit and cheese loom as major factors in the chain's "healthy foods" approach.

The point of the wide diversity of offerings is to maintain flexibility in attracting almost every type of consumer. "Our main market actually is 25- to 49-year-old adults," said marketing vice president Barry Krantz. "But some of our units are kept alive by senior citizens, others by wall-to-wall families and children. We have to market to each segment."

Denny's is supporting its regional merchandising approach and other localized functions with a wide-ranging field organization. It is divided into two divisions, with seven regions in each division. Each regional office has three to five staff people, including a personnel director, maintenance director and in some cases a field marketing director.

District managers in the regions are responsible for five to 10 restaurants each. At the same time the organization in the units has been strengthened with two or three assistant managers as well as a head manager.

Training is carried out at the unit level—particularly for assistant managers who aspire to be managers.

DENNY'S VS. OTHER COFFEE SHOPS

(Current Fiscal Year)

Selected Major Chains

Chain	Average Per Unit Volume*
Bob's Big Boy	$1.1 million
Shoney's Big Boy	$920,000
Denny's	$900,000
Poppin' Fresh Pies	$875,000
Big Boys (21 Chain Average)	$780,000
Coco's	$775,000
Jojo's	$760,000
Frisch's Big Boy	$750,000
Perkins	$675,000
Elias Big Boy	$660,000
Country Kitchen	$625,000
Howard Johnson	$525,000
Steak n Eggs (Dobbs House)	$525,000
IHOP	$500,000
Wag's (Walgreen)	$485,000
Lums	$440,000

Selected California Chains

Marie Callender's	$1.3 million
Hof's Hut (Long Beach)	$1.1 million
Lyons	$1.1 million
Spires (Buena Park)	$1 million
Zims	$800,000
Colony Kitchen	$500,000

Source: *NRN* Research

*Estimated

Denny's, moving toward the $900,000 average per unit sales mark, ranks third just behind Bob's Big Boy and Shoney's Big Boy among the major coffee shop chains.

Stepped up ad budget targets TV

LA MIRADA, Calif.—Denny's is supporting its regionalized menu campaign with a stepped-up series of regional TV ads as well as increased national exposure with network TV.

The chain, which raised its advertising expenditures from $8 million in fiscal 1980 to $13.5 million in 1981, is expected to spend about $18 million in the current year. This would mean a further increase in the advertising-to-sales ratio to perhaps 2.5%, a substantial investment for a coffee shop chain.

"We're determined to be more advertising-oriented and to take a much stronger marketing stance," declared president Vern Curtis.

The main emphasis in the advertising will be on food. "Everything has to start with food," emphasized marketing vice president Barry Krantz. "Our advertising will challenge the premise that a coffee shop can't serve tasty food. It will clearly show that Denny's does not serve plastic food."

According to the plans, some of the 30-second television spot ads will show 27 seconds of food quality and three seconds of price as Denny's tries to distinguish itself from the competition.

Denny's is convinced that it must advertise on network TV at least once or twice each month. "It's the only way to sustain continued national momentum," said Krantz, "and it's worth the cost."

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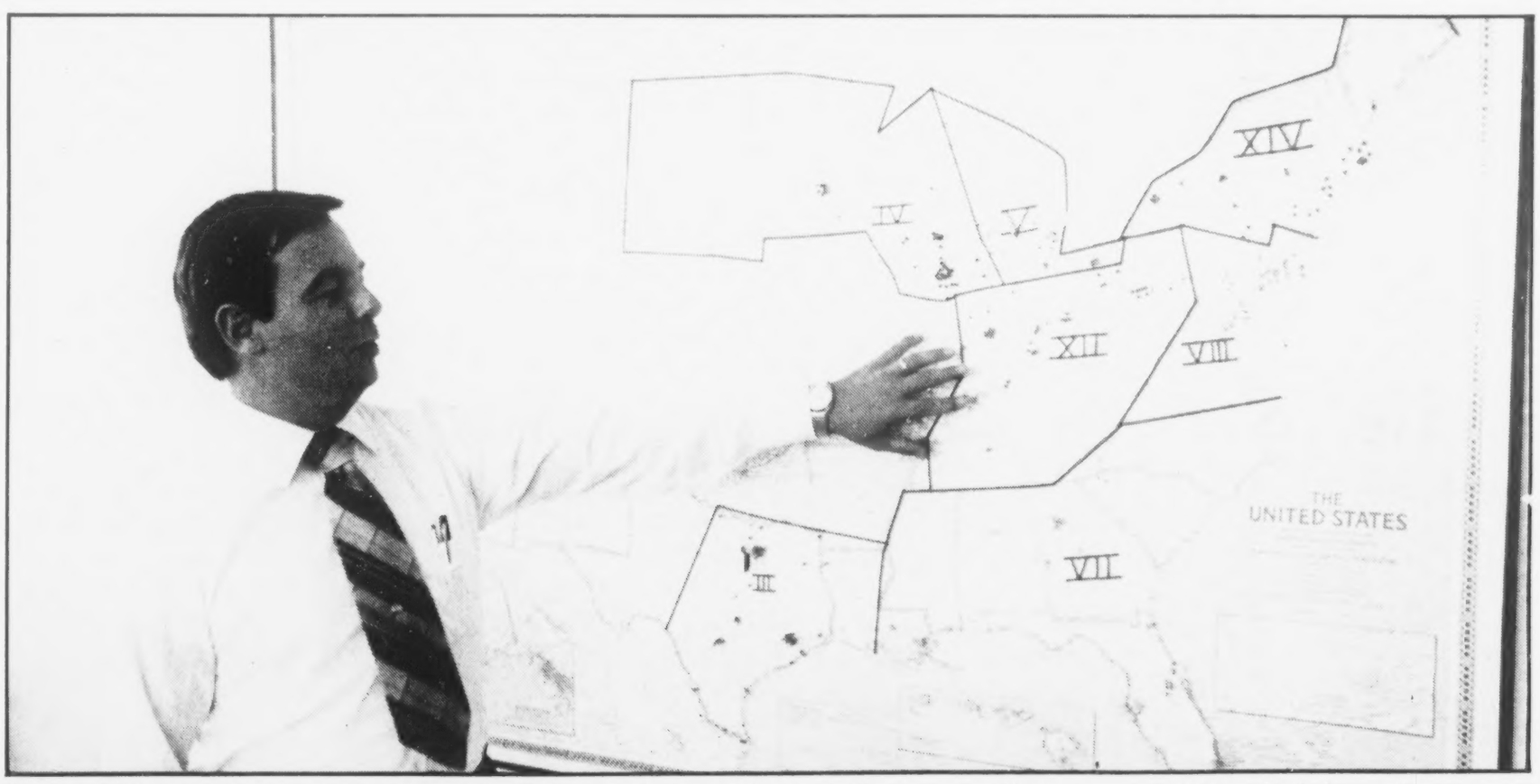


Howard Massey, Denny's Restaurant Division vice president, with map outlining some of the chain's regions.

NRN FOCUS

PROFILE: DENNY'S INC.

Remodeling program under way

LA MIRADA, Calif.—Denny's is remodeling and refining its restaurants at a steady pace to upgrade its image, but is staying away from frills which might scare its basic customers.

Some 80 or more restaurants are slated for remodeling in the current fiscal year, at an estimated average cost of $80,000 per unit. Some of the original older units in southern California will receive extra attention.

One of its biggest modernization drives is in the back of the house where it is opening up the fry line so that customers can see what is happening. "We've found that customers are far more confident of the food when they see it being prepared," said a Denny's source. "There's no sense in hiding the fry line."

The system is arranged more efficiently so that fry cooks now face the front where customers can clearly observe them.

More back-of-the-house space also is being planned to provide extra preparation and freezer space in contrast to the previously cramped facilities. As much as 45% of the space will go to the back of the house, but the front of the house will retain at least the same amount of space in larger restaurants.

Although fryer and grill space is being expanded, freezer space remains tight. Denny's has devised a method to utilize polybags to keep rolls frozen for as long as a week. When the bags are unsealed, the rolls thaw out fresh and valuable freezer space has been saved.

At the same time Denny's has just unveiled its first "Model 81" restaurant design in Houston as a new prototype. The 130-seat restaurant features a new look in china, glassware, table settings, uniforms, skylights and floor tiles and carpeting, lower profile counter seating also is being tried as Denny's emphasizes its meal-oriented table seating.

Menus are also being modernized with clever graphics on the cover rather than a parade of pictures depicting each major item.

Denny's is stressing efficiency, comfort and attractiveness while trying to avoid the temptation to upscale the Model 81 "to give the impression of a higher-priced dinnerhouse which might discourage breakfast and luncheon business."

One of the problems with Denny's newer model 149 units was that the 149-seaters had too many alcoves and different rooms. It created confusion in the customer's mind and perhaps too much of a dinnerhouse atmosphere.

Now the alcoves and small rooms are being dropped in Model 81, and overall seating capacities will be varied between 100 and 180, depending on the market potential. In some markets, Denny's now realizes that "small may be better" to achieve maximum productivity and the best utilization of space.

The average size of the new buildings is 5,000 sq. ft., with parking space for about 65 cars.

Fake skylight lends an airy appearance to newly remodeled Denny's Restaurant in Whittier, Calif.

*COFFEE SHOP MARKET SHARE: DENNY'S VS. FOUR LEADING CHAINS**

	Denny's			Sambo's			Howard Johnson's			Shoney's Big Boy			Friendly		
	1978	1979	1980	1978	1979	1980	1978	1979	1980	1978	1979	1980	1978	1979	1980
Sales (Millions)	$485	$560	$650	$590	$560	$490	$425	$425	$435	$215	$250	$275	$200	$215	$240
Year-End Units	670	755	820	1,031	1,115	1,118	882	867	870	280	302	322	600	615	630
Average Unit Volume (Thousands)	$720	$740	$790	$570	$500	$440	$480	$490	$500	$770	$830	$850	$330	$350	$380
Market Share	25%	28%	31%	31%	28%	23%	22%	21%	21%	11%	12%	13%	10%	11%	12%

Source: *E. F. Hutton*

*Market share figures are E. F. Hutton calendar year estimates. They are based on combined sales of these five chains only.

NRN FOCUS

PROFILE: DENNY'S INC.

Takeout sales differ from chain to chain

LA MIRADA, Calif.—Denny's restaurants and Winchell's are total contrasts in their degree of emphasis on takeout business.

Denny's restaurants does only an estimated 3% of its sales on takeout. It stresses full meals and table seating, and has 15 to 20 counter seats in typical units to provide extra-fast service.

On the other hand, Winchell's derives some 70% of its sales from takeout. It has only a handful of counter seats and encourages takeout as providing a faster traffic flow. Its lower average per person ticket of no more than $1, compared with $2.85 for Denny's, makes takeout more feasible.

DISTRIBUTION OF TRAFFIC BY MEAL FOR SELECTED CHAINS

(Year Ended in May)

Chain	Breakfast 1980 (%)	Breakfast 1981 (%)	Lunch 1980 (%)	Lunch 1981 (%)	Supper 1980 (%)	Supper 1981 (%)	Snacks 1980 (%)	Snacks 1981 (%)
Denny's	31	35	27	22	30	28	11	14
Perkin's	42	31	21	24	30	29	7	16
Country Kitchen	20	25	32	34	42	31	7	9
Big Boy	15	10	35	35	40	45	10	10
Sambo's	39	45	26	25	24	20	11	10

Source: *CREST*

Denny's has increased its own proportion of customer traffic in breakfast (served 24 hours) and snacks, while the luncheon and supper proportions have dropped.

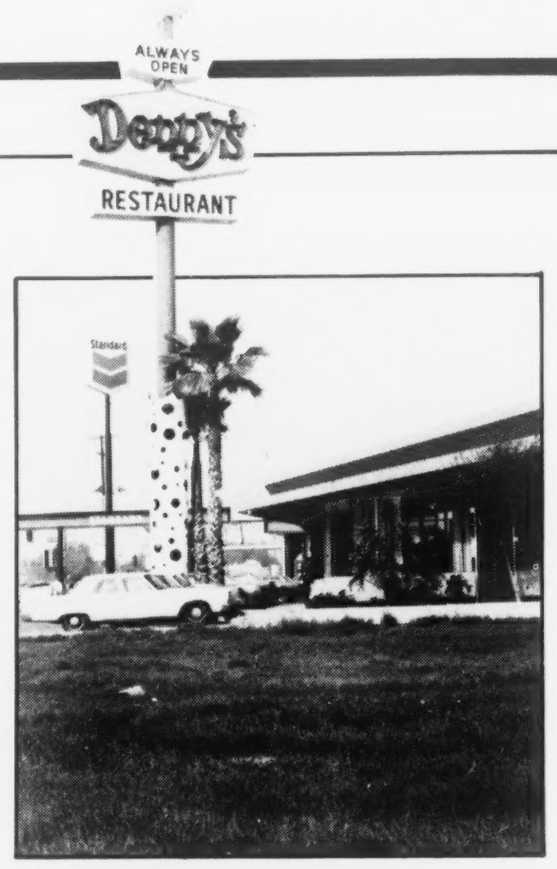
TRAFFIC AND DOLLAR SHARE TRENDS

Per Cent Change Among Five Chains (May 1980-May 1981)

Chain	Total Traffic All Meals	Dollar Volume All Meals	Breakfast Dollar Volume	Lunch Dollar Volume	Supper Dollar Volume
Denny's	+17.0%	+25.0%	+6.6%	+1.2%	+1.5%
Sambo's	+12.0	+13.0	−0.1	−2.0	−3.4
Big Boys	− 4.0	+ 6.0	−8.9	−4.7	0.0
Perkins	+13.0	+18.0	+1.1	+4.3	+2.5
Country Kitchen	+23.0	$29.0	+1.3	+1.1	−1.3

Source: *CREST*

Denny's has gained greatly in market share between the March to May 1980 quarter and the same quarter of 1981. Its best market share gains were made in breakfast while lunch and supper showed only moderate advances in market share of the five chains listed on this chart. Big Boys showed a traffic decline as well as a drop in each meal. Denny's prices rose 7%, accounting for most of the difference between the total traffic and dollar volume increase. Sambo's menu price average was up only 1% at the most, due to promotional specials. Big Boys had an estimated 9% price increase.



Almost all units company-owned

LA MIRADA, Calif.—Only 38 of Denny's 841 domestic restaurants are franchised today, and Winchell's donut houses continue entirely company-operated.

Yet Denny's once was mainly a franchised company as it grew by the franchising route in the 1960's until 165 of its 278 restaurants in fiscal 1970 were franchised. From that point Denny's gradually became almost entirely company-operated.

"We wanted to maintain our own complete controls at Denny's as well as Winchell's," company officials explain. "At no point did we have to expand so fast that we would need franchising."

The 38 remaining franchised Denny's units are individually owned, and former purchasing director Frank Barreras now oversees these

Welcome to Denny's

Visit frequency up

For the second quarter of 1981 (March-May), Denny's visit frequency rose 8% to 1.54 visits per customer or party over an average two-week period, according to CREST surveys.

At the same time, the average party size dropped 8% to 1.87 persons per check, CREST reported.

Denny's profiles typical customer

The typical Denny's customer group is 25- to 49-years-old and is comprised of both white and blue collar workers with above average incomes, according to Barry Krantz, Denny's restaurant division marketing director. The customers live or work within three miles of the Denny's and are "somewhat more educated than the average," he said.

Nevertheless, there are several Denny's restaurants that because of their location, such as near a college or in a tourist area, simply do not match the norm at all, Krantz added.

NRN FOCUS

PROFILE: DENNY'S INC.

Denny's distribution vp William Yantz gets printouts of computerized ordering, delivery and routing systems.

DENNY'S INC. MISCELLANEOUS FIGURES

	1981*	1980*
Net Income as Percentage of Average Shareholders' Equity	16.6%	11.8%
Number of Employees	49,400	45,600
Number of Shares of Common Stock Outstanding	9,899,306	8,714,787

Source: *Denny's Inc.*

*Years ended June

Denny's Inc. is nearing $1 billion in total sales.

National distribution system focus of support services

(Continued from page 74)

president and former general manager of Golden State Foods.

Proficient has launched a sophisticated computerized ordering, delivery and truck routing system which produces national printouts of the most efficient daily and weekly routes within 30 minutes—a job that would take at least 1½ full man days by a traffic expert, who couldn't do it with the same precision.

Proficient also distributes from Denny's Inc.'s Portion-Trol meat processing plant in Texas which supplies all Denny's restaurants with beef products.

At the same time Winchell's central production plant in La Mirada and one in Kansas supply bakery items, pancake mixes, sugar and oils to Denny's restaurants as well as supplying all products for Winchell's stores. Cooking oils and other techniques are similar at Denny's and Winchell's for certain product lines, and this adds to the overall integrated system.

Glen Martin, Denny's restaurants purchasing director, noted that the chain has established a comprehensive program of national and regional contracts to obtain the best possible price on products for Proficient's distribution centers. The only manufacturing done within the company is at the Texas meat plant and by Winchell's.

ANNUAL EARNINGS GROWTH RATES

Denny's Inc. vs. Four Major Chains

Company	1976-81 (Estimated)	1982 (Estimated)	1982-87 (Estimated)	Stock-Price Earnings Ratio on 1982*
Denny's	8%	18%	20%	6.5
Jerrico	15	25	25	8.5
Luby's Cafeterias	24	20	20	14.3
McDonald's	20	17	15	7.6
Shoney's	21	19	17	10.0
E. F. Hutton 873-Stock Weighted Average	15	23	14	8.1

Source: *E. F. Hutton*

*Based on calendar 1982 estimates

Portion-Trol employs almost 265 workers processing more than 1 million lb. of meat a week.

Subsidiary firm processes foods to supply chain

(Continued from page 76)

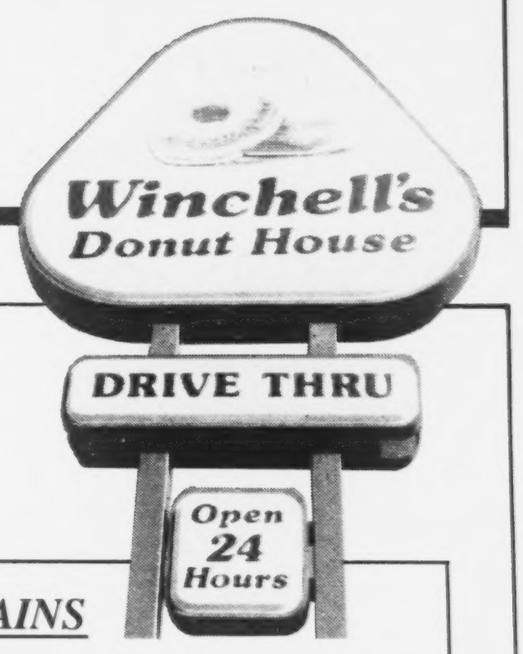
involved in the development of sirloin tips, salisbury steak and meat loaf for Denny's "Hot and Hearty" dinner selections.

Meanwhile, the plant recently started producing some of Denny's other products such as vegetable-beef, cheese and clam chowder soup.

Portion-Trol recently gained recognition as the fourth meat processing plant in the United States to be granted permission by the U.S. Department of Agriculture to operate under voluntary quality control standards. Under the program, Portion-Trol developed its own testing, supervision and quality control procedures which surpassed specifications established by the U.S.D.A., Berutti explained. The plant was then approved for voluntary conformity to the standards and is subject to spot inspections by United States inspectors.

Portion-Trol was established in Texas, Berutti continued, because the location puts the plant close to its major sources of supply. Texas is one of the largest beef producing areas in the United States.

NRN FOCUS



PROFILE: DENNY'S INC.

Winchell's holds off on expansion

By Jim Storey

LA MIRADA, Calif.—Despite a strong financial comeback over the last year for Denny's Winchell's Donut House division, expansion remains on hold for the chain as management continues to weed out lower volume units and concentrate on improving operations at its more profitable stores.

Nearly 120 units have been shuttered since the company said last year that it would close 150 Winchell's which were mostly unprofitable due to poor site selection.

While the doughnut chain plans to add approximately 10 new units this year, another 30 shops remain candidates for shutdowns. When the current fiscal year ends in June, the now 860-unit chain will number 840 to 850 shops, according to reliable estimates.

Winchell's is currently being viewed by management primarily as a cash generator for, among other things, expansion of the Denny's division, the company's primary growth vehicle.

Major expansion of the Winchell's division will remain at a standstill, officials say, until management has had a chance to test the growth potential of a new concept being developed. "We see ourselves moving from a donut concept to a bakery/snack food concept," explained Vincent Lambiase, corporate vice president and general manager of the Winchell's division. "We're too vulnerable with one product line.

Executing that change will require the addition of new products which Lambiase said will consist of pre-prepared quality snack-food items requiring little or no additional work from shop managers. Currently, Winchell's shops offer over 40 varieties of doughnuts and pastries that are prepared fresh daily at individual units.

Winchell's took its first step toward the new concept earlier this year with the market testing of three new products: cheesecake, brownie and crumb coffee cake.

Results of the 100-unit test have been satisfactory, Lambiase said, noting that he expects to see the new products rolled out chainwide around February.

While doughnuts will remain an important part of Winchell's future product mix, Lambiase said he would like to see them drop from the current 70% of sales (beverages account for the rest) to somewhere between 40% and 50% of sales in the next six years.

Future menu additions might involve sandwich-type products and the use of microwave ovens, Lambiase

(Continued on page 82)

WINCHELL'S VS. OTHER DOUGHNUT CHAINS

Share of Market Based on Number of Stores Per Market Area*

Chain	Total Share of U.S. Market	Western Market	Midwestern Market	Southern Market	Eastern Market
Winchell's	14%	28%	9%	—	—
Dunkin Donuts	15	4	17	20%	29%
Mr. Donut	7	1	10	12	13
Krispy Kreme	2	—	—	17	—
Other Chains	22	28	25	26	6
Independents	41	39	39	26	52

Source: *Winchell's* data

*Totals may add up to more than 100% due to rounding. Data is based on 1978 figures.

Market research reveals that 47% of the adult population are potential doughnut shop customers. Males constitute the majority of traffic at Winchell's (70%) as well as the bulk of all doughnut volume (63%). The typical Winchell's customer is male (70%), between 18 and 49 years of age (70%), and a high school graduate (73%). Winchell's strongest markets, research shows, are in the areas where there are enough stores to create a strong consumer presence and an efficient advertising thrust. Los Angeles, Sacramento, Denver, Fresno, San Diego, Bakersfield, San Francisco, Las Vegas, Portland, Seattle, Omaha and Albuquerque are the cities where the doughnut chain has achieved the strongest marketing clout.

Winchell's expansion will remain at a standstill until management tests growth potential of new concepts being developed.

FORECAST 1982

A look at the year ahead—Pages 65-90

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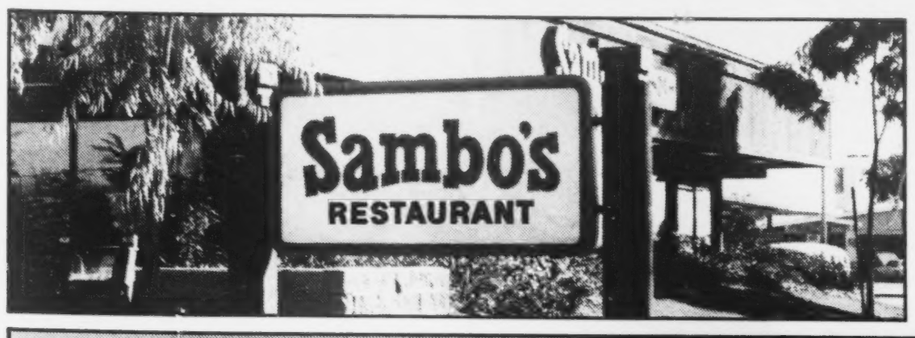
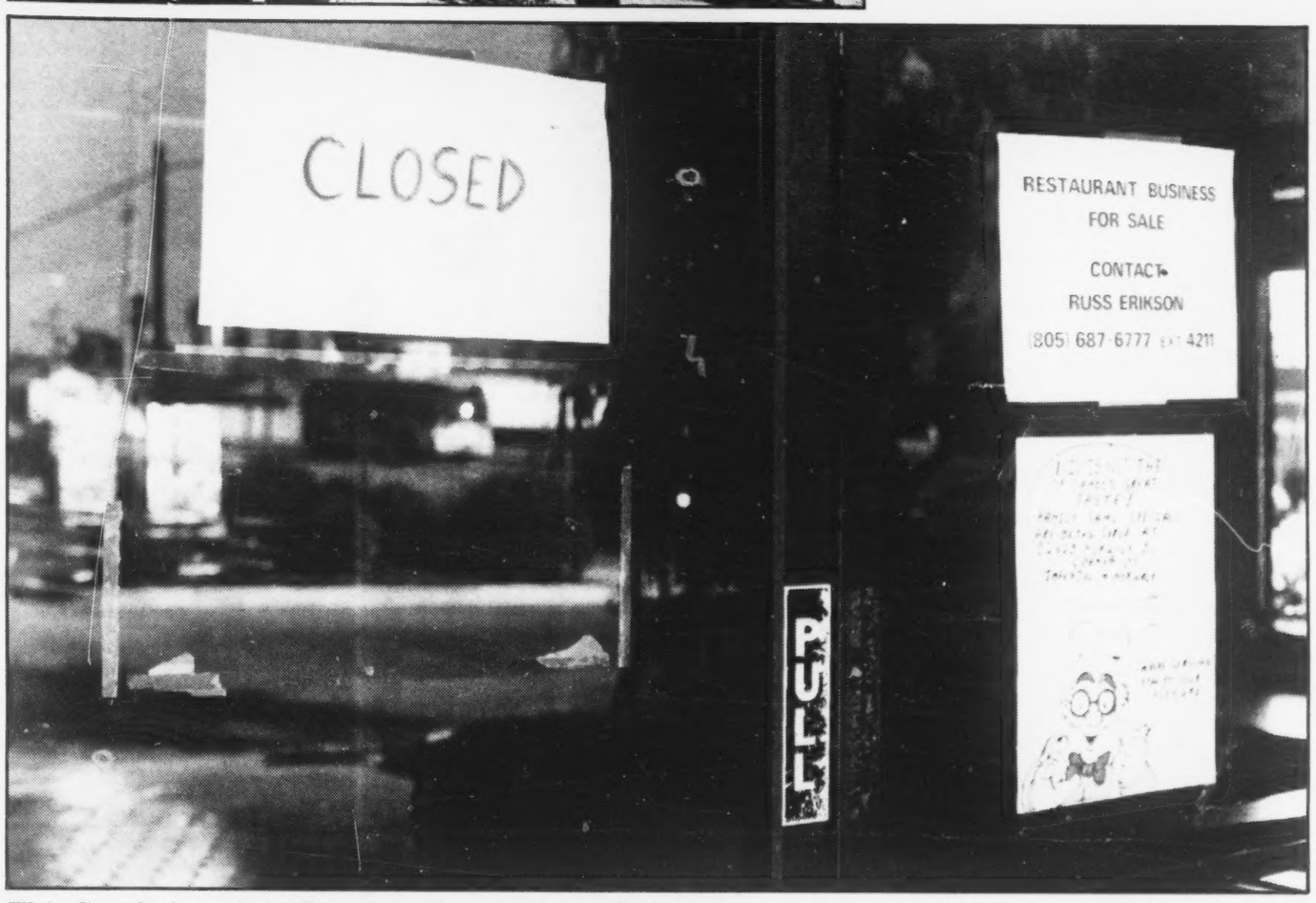


Sambo's succumbs to money pressure

Files voluntary bankruptcy; shuts down 447 restaurants



This Sambo's unit in Los Angeles was one of 447 forced to close its doors to the public.

By Charles Bernstein

CARPINTERIA, Calif.—Sambo's has filed a Chapter XI voluntary bankruptcy petition in an effort to work out a repayment plan for $100 million in loans from 17 banks and insurance companies.

The filing came after Sambo's had defaulted on a $4.8 million initial installment on the already restructured loans and the lenders refused to accept Sambo's plan for another loan restructuring. It also came after the chain had sustained a stunning $29 million nine-month net loss and had just closed, in 43 states, 447 of its 1,114 restaurants. (See Editor's Corner, Page 6.)

To many observers, the bankruptcy filing and the closings to scale down the chain to a more manageable operation seemed inevitable, and the only question was why Sambo's had waited so long to take those necessary actions.

One interpretation is that Daniel Shaughnessy, appointed Sambo's chief executive officer by the banks and by City Investing Corp. when it acquired an initial 16% interest in Sambo's over two years ago, was now determined to force a confrontation with the banks by offering a loan restructuring plan that the banks would find hard to accept. "Dan likes to play for big, all or nothing, stakes," said one source close to the situation.

As for Shaughnessy's own direct reaction, he has been totally unavailable for comment ever since he assumed control of Sambo's.

(Continued on page 135)

Hardee's set to buy Burger Chef chain

By Rick Telberg

ROCKY MOUNT, N.C.—Hardee's Food Systems here, a subsidiary of Canadian-based Imasco, moved to acquire the 697-unit Burger Chef chain from General Foods in a $44 million cash takeover.

About six months after the deal is closed, which should come by April, Hardee's would begin converting company-owned Burger Chefs on a test basis in small, isolated markets to the Hardee's banner.

If conversions prove profitable, Hardee's may fully integrate the Indianapolis-based chain market-by-market into the Hardee's system in three to four years, and the 28-year-old Burger Chef chain would fade.

The sale is subject to a Government review, a definitive agreement and approval of both companies' directors.

Hardee's president and ceo Jack Laughery stressed that chainwide conversion would only be carried out "assuming sales and profits support that assessment." He assured franchisees that Hardee's would honor all Burger Chef commitments and that they would not, could not legally, be forced to convert to Hardee's. He encouraged them to consider joining Hardee's voluntarily.

Jack Laughery
Hardee's president, ceo

Laughery's team and the Burger Chef team, headed by John Martin, Burger Chef president, began working out the many unresolved problems in a series of all-day sessions here

(Continued on page 136)

Marriott closes in on Host takeover

By Roman Czajkowsky

WASHINGTON—Marriott Corp. here has agreed in principle to buy Santa Monica, Calif.-based Host International, the giant operator of airport restaurants and gift shops, for $31 a share, or a total of up to $149 million.

Washington-based Marriott, a hotel and restaurant company as well as a major force in in-flight catering, outbid DFS Group Ltd. of Hong Kong, which sources said Host would have preferred as buyer. But DFS, which operates duty-free shops, retained an option to buy up to 875,000 of Host's 4.8 million outstanding shares, for $29.25 each, and certain other Host assets.

Analysts called the deal generally a good one for Marriott, though Marriott acknowledged it might raise antitrust questions.

There was also a question about Host's sale, immediately following the agreement with Marriott, of some of its fried chicken fast-food outlets to Kentucky Fried Chicken. Church's, the franchisor of the units, indicated its right to buy

(Continued on page 136)

Money squeeze intensifies

Independents vie for customers

By Susan Spedalle

What worries most independents about the coming year is that the pie is not big enough to go around anymore. The fierce competition for consumers' diminishing supply of discretionary dollars has trend-conscious independent operators fighting back with promotions, budget specials and additional profit-generating activities, such as catering.

Many operators will be turning to that low-overhead, high-profit sideline, catering. With a little bit of organization, some staff overtime and a few chafing dishes, restaurateurs have increased sales anywhere from 5% to 11%, says one operator.

Steve Poses, of The Commissary in Philadelphia, will be concentrating on catering this year because it allows him to expand the business beyond his locale; working suburban homes and catering halls from an urban base.

In addition to his catering business, Poses will further develop a six-month-old gourmet market concept located around the corner from the Commissary restaurant. The market offers the restaurant's dishes for take-out, as well as gourmet jams, mustards and vinegars, numerous cheeses and fresh flowers. There is also a dip station offering homemade ice cream and sorbets, a fresh pasta station and a deli and prepared salads counter. The concept has appealed to those looking for take-out lunch, part or all of a take-out dinner and party-sized weekend orders.

Appealing to those who are on a budget is another way op-

(Continued on page 136)

LATE NEWSBREAKS

Holiday Inns and franchisee W. B. Johnson Properties have disclosed a $1.25 billion plan to build 25 luxury hotels in the next 10 years. Groundbreaking for the first units is set shortly for New York, Los Angeles and San Francisco.

Ponderosa is eying development of a Mexican dinnerhouse concept. The company is also looking at other dinnerhouse formats, a spokesman said.

Shoneys Inc. reported net profits and revenues each up 25% to $14.8 million and $269 million, respectively, for the year ended Oct. 25.

Garbage was piling higher and higher in front of many New York City restaurants as a wage dispute walkout by 2,000 private carters' drivers and helpers entered its third week at presstime.

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Burger Chef takeover draws mixed reactions

By Rick Telberg

INDIANAPOLIS—Burger Chef Systems' top management group and franchisees were in high spirits when they gathered here in December for their quarterly meeting.

After 10 years of shuttering stores, new franchisees were being solicited. Three new menu items, and a fourth set for this month, were curving profits upward after years of barely break-even results. Sales growth, adjusted for price increases, was projected to reach 13% or 15% by this spring.

Meanwhile, executives at Burger Chef's parent, General Foods in White Plains, N.Y., were wrapping up a $44 million cash deal to sell the chain to Hardee's Food Systems of Rocky Mount, N.C.

"Everyone was knocked flat on their backs," recalled John Martin, Burger Chef president. "I don't think you can have blood in your veins and not feel disappointment."

From all reports, however, the shock slowly changed to a sense of opportunity—tempered by concerns about Hardee's plan to eventually convert all Burger Chefs to Hardee's stores.

Jack Laughery, Hardee's chairman, president and chief operating officer, assured

John Martin
Burger Chef president

Burger Chef management that he wanted to keep them in place. He assured franchisees that Burger Chef's agreements would be honored.

A number of problems remain to be ironed out.

Burger Chef is well-established in some markets. A name-change could encounter consumer resistance. Some units that share markets with Hardee's may be shut down.

Conversion costs could be weighty. Seventy per cent of the Burger Chef stores now use only grills, a process begun in 1979 to facilitate breakfast and the ⅓-lb., ⅝-in.-thick burger.

Hardee's, on the other hand, long touted "char-broiled" burgers, but has recently dropped the phrase. Laughery seemed unconcerned when he told the franchisees: "That's not a hook anymore," leaving the way open for a mix of cooking processes in the new system.

In addition, franchisees, despite assurances, are concerned about being left out on a limb when company stores convert to Hardee's. They fear they will have to bear conversion costs and suffer a traffic fall-off from reduced market share and a diminished co-op advertising pool.

Yet, all surveyed by *Nation's Restaurant News* voiced the same optimism. "It means," said one franchisee, "that we can start growing as a chain again."

Burger Chef stopped growing soon after General Foods bought it in 1968 for $15 million from its founder, Frank Thomas, who had built it into 700 units, three times the size of Burger King at the time.

Thomas opened the first Burger Chef in Indianapolis in 1954 as a showcase for a continuous chain broiler. His father started the equipment-fabricating concern now called Sani-Serv.

Thomas left after a year-long transition and was followed by General Foods executives with no fast-food experience. The headquarters was moved to White Plains in 1971.

Franchisees, meanwhile, upset by what they perceived as General Foods' high-handedness, revolted. Several sued over the right to pick suppliers. General Foods sued others to win back territories awarded in Thomas' day.

Martin said Burger Chef's profits "were always plus or minus zero all those years."

In 1973, General Foods was trimming the chain down to 1,000 units for increased efficiency. In 1976, the initial franchise fee was cut from $25,000 to $10,000.

Then in 1977, General Foods hired Terry Collins, who came from McDonald's as a regional manager with nine years' of fast-food experience. "We finally had someone who knew burgers," a franchisee recalled.

(Continued on page 136)

Carl Karcher's sells Taco de Carlos units

COSTA MESA, Calif.—Del Taco Inc., a chain of 157 Mexican fast-food units, has signed an agreement to purchase 12 of 16 Taco de Carlos units owned by Anaheim-based Carl Karcher Enterprises.

Negotiations are expected to be finalized before the end of the month. Del Taco did not purchase all the units because four of the stores were "too close to existing Del Taco's" said Wayne W. Armstrong, president of Del Taco.

Carl Karcher has been successful with its more than 290 Carl's Jr. fast-food burger units, but its Taco de Carlos units have been disappointing. Karcher officials cited inadequate return on investment and cost-effective advertising difficulties associated with the chain as primary reasons for pulling out of the Mexican fast-food business. The remaining four units will be sold during the next few months.

The average annual sales of a Taco de Carlos was about $350,000 compared to $650,000 for a Del Taco restaurant, according to the companies.

All of the Taco de Carlos units are in southern California and in many instances "fill in" gaps in Del Taco's market area. Armstrong added that the chain is compatible with Del Taco's concept in that all units have drive-thru windows. Drive-thru windows account for 30% to 50% of sales depending on a unit's location.

The new units will be remodeled as Del Tacos within eight weeks after the agreement with Carl Karcher is finalized. Taco de Carlos had three different designs. One design can be remodeled in two to three weeks.

This acquisition increases the size of the chain from 157 to 169 units. In 1982, the company expects to add about 20 more units.

Malls represent a new expansion area for Del Taco which opened its first mall unit in November in Costa Mesa. "We see an opportunity for 50 to 75 units of this kind in California," Armstrong said.

Del Taco Inc. is a distinct and separate company from Del Taco Corp., which is owned by W. R. Grace. Del Taco Inc. operates solely in California.

The company is looking into mall construction for a variety of reasons including faster construction period, lower operational costs because there are no drive-thru windows, and lower investment costs.

(Continued on page 136)

Restaurants claim refunds

IRS revises meal tax rules

By Ken Rankin

WASHINGTON—Federal tax officials issued a streamlined set of procedures for restaurants to claim hefty refunds of Social Security and Federal unemployment taxes paid on the value of employee meals and lodging.

The new Internal Revenue Service ground rules are expected to generate a flood of refund claims from thousands of food-service operators and employees who paid taxes on meals under the Federal Insurance Contributions Act (F.I.C.A.) and the Federal Unemployment Tax Act (F.U.T.A.) before the U.S. Supreme Court's "Rowan Decision" last summer.

In that case, the court ruled that meals served to employees for the convenience of the employer are not "wages" and therefore are exempt from Federal payroll taxes.

As a result of that decision and the new refund procedures published in an IRS Revenue Bulletin last week, food-service operators who paid F.I.C.A. and F.U.T.A. taxes on employee meals will be able to secure rebates for the past three years.

The amount of the payroll tax refunds at stake are likely to vary from several hundred dollars for a small independent operator to hundreds of thousands of dollars for large food-service chains.

In order to claim a F.I.C.A. refund, restaurants will first be required to either reimburse current employees for their share of the overpayment, or secure written statements from each worker agreeing to allow the employer to file a refund request for him stating that he has not and will not file a duplicate refund claim independently.

In addition, the IRS guidelines require firms to make a reasonable effort to contact former employees in order to obtain consent to file for refunds on their behalf. A "reasonable effort," according to the tax service, would involve sending first class mail notices to the last known address of each former employee. If the ex-employee fails to respond within 45 days, the restaurant could then file for a refund of his share of the overpayment.

In a major concession to the industry, IRS agreed to a National Restaurant Association proposal dropping the employee contact requirement for ex-workers whose total refund claims amount to less than $10. (Since employees do not contribute to the employers F.U.T.A. tax bite, there is no requirement that workers be contacted before a firm may apply for a refund of Federal unemployment taxes paid on meals.)

The tax service also agreed to a separate NRA proposal to pay interest on the payroll taxes improperly collected prior to the Rowan decision.

IRS officials noted, however, that no F.I.C.A. refunds would be issued for any present or former worker whose salary (excluding the value of meals or lodging furnished by the company) exceeded the Social Security taxable wage base in any year.

Claims for F.I.C.A. and F.U.T.A. refunds must be submitted on an IRS Form 843 with the words "Rowan Case" written at the top in red to help the agency speed its claim procedures. A separate Form 941c must accompany the refund application.

Restaurant operators who made "protective filings" with the agency before the Rowan ruling in order to protect their right to a full three-year refund must "perfect" these claims by filing new 843 forms for each covered year.

Pronto's reduces units, citing management woes

NEW YORK—Pronto Ristorante, an Italian (Bolognese-style) restaurant chain, has sold two units and closed two others as a result of what sources close to the chain call management problems.

In the last year, the chain's units in Baltimore's Harborplace complex closed and a unit in Coconut Grove, Fla., closed. The Coconut Grove restaurant reportedly closed for renovations.

Other Pronto Ristorante's in Atlanta and Houston were sold. Remaining are individual units in Minneapolis and Costa Mesa, Calif., and two units in New York City.

Sources close to the chain reportedly cited managerial problems, including manager turnover and logistical problems in managing several restaurants scattered across the country.

The Baltimore, Houston and Atlanta Ristorantes all opened in 1980. The Pronto concept, which features Bolognese specialties and open-to-view pasta kitchens, started in 1976 with the first Pronto Ristorante in Manhattan.

Pronto's is privately held by a French partnership which also operates 15 Pizza Pinos restaurants in France. The company also operates a Pizza Pino restaurant in New York.

HIGHLIGHTS IN THIS ISSUE

Where is the food-service industry heading in 1982? *NRN* presents an analysis of the approaching year, including projected sales, marketing strategies and effects of a tough economy. *Pages 65-90.*

As Sambo's faces bankruptcy proceedings, *NRN* editor Charles Bernstein probes what went wrong, and what can be learned from this situation. *Page 6.*

Pierce's model wine program may be worth a trip to Elmira, N.Y., suggests wine and spirits columnist Mort Hochstein. *Page 25.*

Playboy is selling its unprofitable resorts to Americana, contributing to Americana's expansion by acquisition strategy. *Page 58.*

A proposal to downgrade U.S.D.A. beef grading standards may affect beef quality when purchased in quantity, according to NRA president Robert Bradford, who spoke recently at the Oregon Cattlemen's Association convention. *Page 95.*

Harsh economic times are helping Mr. Steak, as some customers trade down from upscale independents and patronize budget steakhouses. *Page 115.*

Well-known restaurateurs are coping with unfavorable economic conditions by concentrating on solutions instead of dwelling on problems. *Page 111.*

Attention to detail is drawing customers into Conti's Cross Keys Inn, an out-of-the-way place to eat in Doylestown, Pa. *Page 117.*

Hawaii is awaiting the winter season with mixed emotions, even though recent data suggests an upswing in tourist traffic. *Page 12.*

Howard Johnson's is testing a new advertising campaign, based on extensive consumer research. *Page 25.*

REGULAR FEATURES

Financial ..... *Pp. 4, 5*
Opinion ..... *P. 6*
People ..... *Pp. 27, 30*
New Products ..... *P. 14*
Classified ... *Pp. 123-133*

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Host selling Church's units in Texas to KFC

SANTA MONICA, Calif.—Host International, in the midst of a takeover by Marriott, has agreed to sell its 76 franchised Church's Fried Chicken restaurants in Houston to Kentucky Fried Chicken for $12.5 million.

If the deal goes through, Church's would be left without rights to develop the territory, and KFC would have complete dominance of the market.

At the same time Host completed the long-planned divestiture of its fast-foods line by agreeing to sell the rest of the Jim Dandy Fast Foods Inc. subsidiary to Jim Dandy chairman Ross Peterson. Peterson would get 71 Jim Dandy restaurants in Denver, Los Angeles and Oklahoma, which are patterned after Church's, as well as the Jim Dandy subsidiary which owns the Houston-area Church's franchise.

Specifically, Jim Dandy Fast Foods Inc., which is wholly owned by Host, agreed to sell its Houston sites—leaseholds, titles to land, buildings and equipment—to KFC National Management Co., KFC's operator of company-owned stores.

In a joint statement with Host, Heublein subsidiary KFC said it plans to convert about half of the 76 Church's units—a source said up to 45 units—into KFC restaurants. The rest would be closed and sold.

William Storm, Church's financial vice president, said that the franchise should revert automatically to Church's. "I'll call our attorneys," he said after hearing the news.

But according to Peterson, Jim Dandy Fast Foods Inc. still retains the Church's franchise for the territory which dates back to 1966. Royalty payments reportedly amount to 1.8% of sales and the territory extends in a 50-mile radius from Houston city hall.

Peterson, 38, was general counsel at Host before assuming the top post at Jim Dandy two years ago.

In 1980, he reportedly was ready to pay $4.5 million for the Jim Dandy chain. But that deal fell through when Church's and Host failed to agree on terms to sell the franchise back to Church's. Host had asked for $15.4 million.

Church's and Host have been fighting over the Houston-area franchise since 1977 when suits were filed in Texas and Federal courts to clarify language on the franchise agreement, which was one of the earliest agreements written by Church's.

A Texas judge in 1980 ruled against Host when he determined that the franchise agreement expired in 1986. Host had contended that it was open-ended.

The Federal court suit is still pending. Peterson called it a "kitchen sink" suit, referring to the vast number of issues it raises. Among other things, trademark rights are at issue.

Peterson, however, expressed belief that he holds the franchise through Church's Chicken of Houston, a wholly owned subsidiary of Jim Dandy.

"I've got this contract sitting in my files," he said. "I'm going to retain that piece of paper."

Storm at Church's contended that while Host could sell leaseholds and ownership of the sites, Host could not sell the franchise.

Storm maintained that Church's had right of first refusal and had to approve the buyer of a franchise. He noted that KFC would have to sell the units' patented stoves back to Church's.

Based on the data Church's developed when considering buying back the territory in 1980, Storm said "there were only 17 or 18 really prime sites. And if they [KFC] are going to close half of them, that's an awful big price to pay." He said, "I can't believe they would pay that price."

Storm also said that a number of the leases on the sites had "just four to five years left to run on them."

Peterson said he had been wanting to buy the Jim Dandy chain since 1978. Host has been writing off Jim Dandy on its books since 1980 as a discontinued operation.

Fast food concept eyed by Jewelcor

WILKES-BARRE, Pa.—The nation's seventh largest catalog showroom operator has disclosed plans to jump into the pizza and video game field with a $1 million investment.

Jewelcor Inc., which lost $555,000 last year on $171.6 million in sales, has organized a wholly owned subsidiary to operate and franchise Circus Playhouse & Food Emporiums.

Three Circus Playhouses are planned for Atlanta, and one each in Hollywood, Fla., and Wilkes-Barre, according to Gary Boam, director of administration and public information for Jewelcor.

The retailer's move into food service and amusements is its latest attempt to diversify. The 22-year-old firm, which also manufactures jewelry and publishes catalogs, last tried to expand into synfuels but was frustrated when political winds shifted after President Reagan was voted into office.

Jewelcor officials expect each 13,500-sq.-ft. unit to cost $850,000 to build and equip with games and mechanical animals. Its revenue and profit projections correlate with others already in the exploding field.

Jewelcor officials indicate they hope to rival the success of Pizza Time Theater, whose 40-plus units average over $1 million in sales per year, with an average check of $14 per person, almost half of which is games' revenues. Jewelcor officials pointed to a recent investment firm report that put Pizza Time Theater's operating profits at about 24% of sales.

Other contenders in the field include Showbiz Pizza Place, with a dozen units, and Bally Manufacturing, which plans two dozen Bally's Tom Foolery arcades.

Circus Playhouse's officers are Seymour Holtzman, Jewelcor president, as chairman; Frank Cuscela, Jewelcor executive vice president, as vice chairman, and Marvin Roth, a part-owner of the subsidiary and president of Roth Novelty Co. which will supply the games, as president.

Boam said that the subsidiary was searching for a fourth individual with food-service knowledge to act as chief executive officer.

A Jewelcor executive said the subsidiary, which will be 80% funded by Jewelcor, will eventually be spun off and sold as a separate firm.

Circus Playhouses will serve pizza, pasta, submarine sandwiches and salads. No units are in operation yet, though sites have been purchased. The price of the food, as in similar operations, will include a game token, worth 25¢. The tokens, as well as quarters, will be used in the game machines.

Five-minute skits will be performed by mechanical animals, similar to Disney attractions.

Space in the stores will be divided almost evenly between fast food and games. Jewelcor will add a retail gift shop as its mark on the concept.

THE FOOD-SERVICE INDUSTRY DOLLAR

	Food-Only Restaurants		Food & Beverage Restaurants	
Where It Came From	**1978**	**1980**	**1978**	**1980**
Food sales	99.4¢	98.1¢	73.9¢	71.1¢
Beverage Sales	—	—	24.9	27.8
Other Income	0.6	1.9	1.2	1.1
Where It Went				
Food Costs	38.5	38.4	29.4	29.6
Beverage Costs	—	—	7.3	7.1
Labor Costs	31.1	31.3	31.3	32.3
Advertising & Promotion	3.3	3.8	2.8	1.9
Other Controllable Expenses	13.6	12.6	16.2	17.0
Occupation Costs	9.4	8.5	9.0	7.6
Net Income Before Taxes	4.1	5.4	4.0	4.5

Source: *National Restaurant Association*

Restaurant profits up, study says

WASHINGTON—Despite subpar sales growth, rising payroll costs and increased direct operation expenses, restaurants in the United States managed to improve their average bottom-line profitability over the past two years, according to a new National Restaurant Association industry operations report.

Net pretax income for "food-only" restaurants participating in the study rose from 4.1% of sales in 1978 to 5.4% last year, while establishments serving both food and alcoholic beverages boosted pretax profits from 4.0% to 4.5% over that same period, the survey found.

The NRA operating study, prepared in cooperation with researchers from Laventhol & Horwath, covered a sample of nearly 450 food-service establishments across the country including full-menu table service restaurants, fast-food units, cafeterias, steakhouses, chain operations, franchisees and independents.

Among restaurants serving no alcoholic beverages, the cost of food as a percentage of total sales remained surprisingly constant over the past two years—38.4% last year according to the new study compared to 38.5% for restaurants surveyed in a similar NRA survey covering 1978 operations.

Although the increased payroll costs including employee benefits for these food-only establishments was relatively modest—31.3% of sales in 1980 compared to 31.1% two years earlier—other direct operating costs, advertising and promotional expenses and interest payments all increased substantially in relation to total restaurant income, according to the study.

These increases were offset by relatively lower administrative expenses and occupancy costs (rent, property taxes, insurance) in the 1980 sample, but the reductions were not enough to produce any growth in the percentage of pretax net income on food sales during the past two years.

Significantly, the survey indicates that all of the increased profitability for food-only restaurants came as a result of a sharp increase in income from nonfood sales.

According to the NRA study, income from sources other than food sales (video games, souvenirs, cigarettes, etc.) accounted for only 0.6% of total volume in 1978. By last year, income from these nonfood sources had climbed to 1.9% of total sales for the surveyed establishments.

On a per-seat basis, dollar sales among the food-only restaurants sampled by the NRA reached $5,688, while food costs rose to $2,190.

The average check hit $3.61 (with an average daily seat turnover of 5), and total sales per full-time equivalent employee increased to $24,899.

Among restaurants serving both food and beverages, revenue from liquor, beer and wine increased sharply over the past two years, according to the study.

In 1978, the researchers found that beverage sales in these establishments accounted for less than one-fourth (24.9%) of total dollar volume. By last year, revenues from beverages increased to 27.8%.

Although the cost of food and beverages as a percentage of sales remained stable during that two-year period, labor costs climbed substantially (31.3% in 1978 vs. 32.3% in 1980).

In addition, direct operating expenses (uniforms, silverware, china, paper supplies, menus, etc.), rose even more rapidly, from 5.3% of sales to 6.5% last year.

But these increases were balanced by sharp reductions in advertising and promotional spending and lower occupancy costs for food and beverage restaurants, according to the survey results.

As a result, the study indicated that these establishments experienced improved profitability during the past two years, with net pretax income rising from 4.0% of sales in 1978 to 4.5% last year.

In terms of dollars, food sales per seat reached $3,647 in 1980 while beverage volume climbed to $1,875 per seat, the survey results indicate.

The check average for restaurants serving both food and beverages reached $6.61, as daily seat turnover averaged 1.96. Total sales per full-time equivalent employee rose to $27,253.

Food-only restaurants outperformed the food-and-beverage establishments on a key yardstick of profitability—return on investment.

Food-service firms serving no alcoholic beverages posted a substantial increase in sales per dollar of total assets, rising from $2.03 in 1978 to $3.33 last year. In contrast, among food-and-beverage restaurants the sales/assets ratio remained constant at $2.97.

Valle family agrees to sell steakhouse chain to execs

WELLESLEY, Mass.—Members of the Valle family have agreed to sell the 32-unit Valle's Steak House chain for $17.5 million to a nonfamily group comprising its top executives.

The sale comes four years after the death of founder Donald Valle. The company said the family needed to sell the chain to pay estate taxes resulting from his death.

The family and its trusts now control 67% of the company's 2.5 million common shares outstanding.

Principals of the new yet-unnamed company include Valle's executives Arthur W. Hanson, president, Robert L. Simon, executive vice president and Joseph R. MacDonald, treasurer. Other members of the group are from a New Jersey investment banking firm.

The chain posted a net loss of $569,000 on sales of $65.9 million for the fiscal year ended March 31. In the preceding year, the company netted $818,000 on sales of $64 million.

The average Valle's Steak House takes in more than $2 million a year. But it is very large—about 1,000 seats—and the average check is between $8 and $9, according to Valle's advertising manager Dan Davis.

The family-oriented chain began in 1933, when Valle opened his first restaurant in Portland, Me. The company expanded throughout New England during the early 1950's, recently adding several units in Florida.

FINANCIAL NEWS

Ponderosa's 3rd quarter earnings climb 83%

DAYTON, Ohio—Ponderosa Systems, operator and franchisor of 694 budget steakhouses, reported net profit rose 83% to $2.1 million for the third quarter ended Nov. 5, compared with the same period the previous year.

Sales for the quarter were up 8% to $83.4 million.

For the 36 week period ended Nov. 5, Ponderosa's net profit rose 92% to $7.1 million on an 11% increase in sales to $258 million.

Gerald S. Office Jr., chairman and president of Ponderosa, attributed the growth in sales and income to the success of its marketing programs and "effective control of operational and overhead costs."

These controls, according to the president, permitted Ponderosa to pass on higher meat prices to its customers. In the past, the company has tried to do this with less success.

An aggressive marketing stance in many of the chain's principal advertising areas helped cause a 7.4% upturn in customer counts during the quarter, compared with the same quarter of the previous year.

Ponderosa's meat distribution and processing subsidiary, ESI Meats, also contributed to the quarter's results. The operation's sales of meat products to outside customers was up 56% over the third quarter of the previous year.

Cost-cutting measures also made it less expensive to run Ponderosa Systems. Corporate and general administrative expenses as a per cent of total revenues dropped to 2.7% from 2.9% for the quarter.

Kelly-Johnston's 2nd qtr. net soars 120%

OKLAHOMA CITY—Kelly-Johnston Enterprises Inc., a Chi-Chi's licensee based here, reported net earnings for the second quarter ended Sept. 27, 1981, increased 120% to $384,-230 compared to the same period last year.

Revenues for the second quarter increased 32.7% to $4.1 million vs. prior year revenues of $3.1 million.

For the first two quarters—26 weeks—ended Sept. 27, 1981, net earnings increased 84.9% to $675,434 compared to the previous year. Revenues were $7.6 million compared to $5.8 million in the prior year, an increase of 32%.

In other business, Kelly-Johnston has agreed to a merger with Kinnard Companies, another Chi-Chi's licensee. As a result, Kinnard has withdrawn a scheduled debenture offering.

Headquartered in Oklahoma City, Kelly-Johnston is the largest Chi-Chi's franchisee with six restaurants in Oklahoma and Kansas and two under construction in Lawton, Okla., and Independence, Mo. Also based here, Kinnard operates three restaurants in Georgia and Florida and is building one in Jacksonville, Fla., as well.

The agreement calls for Kinnard shareholders to receive one share of Kelly-Johnston stock for each eight shares of Kinnard stock. Kinnard has approximately 2.8 million shares outstanding.

For the six months ended Sept. 27, 1981, Kelly-Johnston Enterprises earned $675,434 on revenues of $7.6 million. Kinnard Companies reported a net loss of $178,550 on sales of $2.4 million in the six month period ended June 30, 1981.

Arthur M. Kelly, chairman, said the merger would result in the company having nine operating restaurants with a potential of 50 in the merged territories which in addition to Oklahoma, Kansas, Missouri, Florida and Georgia, also includes Arkansas, Colorado, Nebraska, New Mexico and Wyoming.

Restaurant Associates holds steady for 13-week period

NEW YORK—Net income for Restaurant Associates decreased less than 1% to $757,-000 for the 13 weeks ended Sept. 26, 1981. For the first nine months income rose $1,400 to $2,810,000.

Sales for the first 13 weeks were $25,731,000, a slight increase from last year's period. For the nine months ended the same date sales were up 4%

Food-service chain stock analysis table

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION					
		Two Weeks Ended Dec. 15							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change		5-Year Annual Growth Rate	Profit Margin							Last Fiscal Year (Per Share)		
					Change		52-Week						Last Fiscal Year					Latest P/E Ratio	Indicated Dvd. Rate		Last X-Dvd. Date	Last Fiscal Year		Current Ratio			Last Balance Sheet Date
Name	Symbol	High	Low	Close	Amt.	Pct.	High	Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days		Amt.	Pct.				Amt.	Yield		Revenue	Earnings		Long Term Debt	Common Stock Equity	
—	—	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	—	$	%	—	$ Mil.	$ Mil.	—	$	$	—
Aca Los A Res	ALAR	5.63	5.13	5.13	-.50	-8.89	10.63	5.13	-1.33	.61	-.85	15.21	.34	.02	N	5.8	14.0	5.8	14.2	.00	.0	01-06-81	19.1	1.1	.8	1.1	2	1080
ARA Services	ARA	29.50	28.13	28.50	.38	1.33	37.25	23.75	.34	-.03	4.02	-2.30	4.00	-1.20	F	-23.0	4.0	1.5	7.1	2.00	7.0	11-24-81	2806.0	63.2	1.2	21.0	42	0980
Assoc Hosts	AHST	5.50	5.00	5.50	.50	10.00	8.63	4.50	.01	1.62	4.84	-20.12	.66	-.14	F	-17.5	-1.0	2.6	8.3	.12	2.2	12-08-81	76.8	2.5	1.3	6.7	6	0980
Beefstk Char	BSCC	3.25	3.13	3.25	.00	.00	4.88	1.63	-1.18	1.84	-2.73	-66.29	.47	.14	S	31.8	41.0	2.3	5.6	.00	.0	00-00-00	47.7	1.1	.8	1.8	2	1080
Bob Evans Farms	BOBE	22.75	21.25	22.75	1.50	7.06	22.75	15.19	.32	1.98	-.63	-27.32	1.40	.05	F	3.7	30.0	8.0	16.3	.40	1.8	09-21-81	147.0	11.8	1.9	.0	6	0481
Bonanza Intl Inc	BNZA	1.56	1.50	1.50	.00	.00	6.88	1.50	-1.06	.62	-1.19	18.72	.24	-1.49	N	-647.8	-37.0	4.2	NE	.00	.0	00-00-00	25.9	1.1	1.6	12.9	5	1280
Calmy Food	CLNY	11.00	11.00	11.00	.00	.00	15.50	8.50	-.35	.62	-.57	35.14	1.35	-.07	S	-4.5	8.0	2.2	7.5	.20	1.8	10-28-81	41.7	.9	.4	14.4	6	0281
Carrols Develop	CRL	5.63	5.13	5.25	-.13	-2.33	10.00	3.97	-.22	1.06	.34	-14.42	.86	.44	Q	74.5	34.0	2.4	5.1	.09	1.7	12-24-81	75.6	1.8	.7	10.1	5	0581
Chart House	CHHO	20.75	20.38	20.75	.38	1.84	22.88	10.88	-.02	1.10	.20	12.98	1.75	.28	N	16.5	12.0	4.9	10.5	.60	2.9	12-24-81	312.5	15.2	1.1	12.3	9	1280
Chi-Chis	CHIC	22.00	20.13	20.13	-1.00	-4.73	27.25	11.94	.18	-1.52	3.34	14.34	.46	.37	S	137.0	35.0	12.9	31.4	.00	.0	06-02-81	7.5	.5	2.1	1.3	1	0480
Ch Full O Nut	CHF	13.50	11.38	11.63	-1.88	-13.89	13.88	6.13	-.12	-.96	2.76	-2.85	.66	-.03	F	-4.3	8.0	2.7	17.6	.40	3.4	12-14-81	118.7	3.2	3.4	.8	5	0781
Churchs Fr Ch	CHU	29.13	25.00	29.13	3.13	12.02	37.38	25.00	-.11	4.36	6.31	26.51	3.01	.55	N	18.7	24.0	9.9	8.4	.84	2.9	10-26-81	386.5	38.1	1.4	1.1	13	1280
Cindys Inc	CNDYC	3.00	3.00	3.00	.00	.00	4.63	1.63	.01	.52	-1.48	7.54	-1.43	-1.09	F	NE	NE	-17.3	NE	.00	.0	00-00-00	16.8	-2.9	.0	6.2	0	1280
Collins Foods	CF	13.38	12.50	13.38	.38	2.88	14.91	7.13	.31	.92	-.18	32.50	1.56	.59	S	40.6	12.0	2.8	6.6	.24	1.8	12-23-81	265.2	7.5	1.4	10.6	13	0481
Dennys Inc	DEN	30.63	29.13	29.50	-.63	-2.07	31.75	18.00	.05	.50	-1.91	21.04	2.96	1.12	Q	54.6	5.0	3.2	9.3	.88	3.0	12-08-81	840.7	26.9	1.5	24.0	20	0681
Dunkin Donuts	DUNK	14.25	14.00	14.25	.50	3.64	18.25	10.00	-.27	1.06	2.45	-3.39	1.53	.35	N	24.6	21.0	8.2	8.1	.30	2.1	08-17-81	60.0	4.9	1.5	12.4	9	1080
Frischs	FRS	8.75	8.00	8.38	.38	4.69	8.75	4.56	-.06	.00	-4.20	38.64	1.39	.67	Q	65.6	13.0	3.0	5.0	.35	4.2	11-30-81	97.0	2.9	1.2	7.2	13	0581
Ginos	GNO	19.50	15.25	16.88	-1.38	-7.53	20.13	6.75	.19	-.68	-.54	-6.84	1.67	.47	N	470.0	-5.0	1.4	29.6	.44	2.6	11-12-81	320.8	4.5	.9	38.2	11	1280
Hambrg Hamlet	HAMB	6.75	6.50	6.50	-.25	-3.70	9.00	6.25	-.30	-.19	-2.18	.00	.27	-.95	F	-77.8	-16.0	.7	24.1	.00	.0	00-00-00	24.0	.9	1.0	18.1	12	0380
Hardwicke	HAWK	4.25	2.63	4.00	1.50	60.00	11.25	2.25	.73	5.73	2.94	-24.19	.44	-.20	N	-34.4	-10.0	8.6	10.5	.00	.0	00-00-00	22.2	1.9	1.8	13.8	10	0980
Hilton Hotels	HLT	41.63	39.25	39.88	-.75	-1.85	52.25	33.25	.04	-.43	2.88	-2.59	4.00	.21	N	5.3	35.0	20.3	9.7	1.80	4.5	12-14-81	523.1	106.1	2.2	4.6	17	1280
Holiday Inns	HIA	28.38	25.75	26.00	-2.25	-7.96	33.25	21.13	-.34	-.84	-1.24	-36.72	2.92	.69	N	23.6	28.0	7.1	7.2	.74	2.8	12-14-81	1533.8	108.3	1.0	17.6	22	1280
Horn & Hardart	HOR	14.38	13.38	13.50	-.38	-2.70	19.13	8.00	.68	-.59	-1.53	-2.63	.96	.10	N	10.1	42.0	3.1	12.4	.00	.0	01-11-82	128.2	4.0	1.8	16.9	7	1280
Host Intl	HIII	29.13	27.75	28.00	-.75	-2.61	29.50	12.00	1.50	-.14	.95	-15.86	2.74	-1.82	N	-62.1	4.0	3.9	25.2	.60	2.1	12-09-81	356.7	14.0	1.1	12.6	17	1280
Hungry Tiger	HTIG	7.25	7.25	7.25	.00	.00	9.38	5.25	-.02	.60	7.96	72.49	.92	.13	F	16.4	64.0	3.2	7.9	.00	.0	08-24-81	49.9	1.6	.8	5.8	4	0881
Imperial Grp	IMT	1.44	1.31	1.38	.13	10.00	2.00	1.06	.39	1.12	-1.87	.00	.62	-.15	S	-21.1	28.0	2.1	2.5	.16	11.6	09-28-81	8700.9	178.4	.9	.8	3	1080
Intl Dairy Queen	INDQ	11.50	10.75	10.75	-.75	-6.52	13.25	8.13	-.29	-1.18	-4.15	-8.46	1.34	.30	N	22.7	51.0	6.1	6.6	.00	.0	00-00-00	77.2	4.7	1.1	12.8	5	1180
Int King Tab	IKNG	2.38	2.13	2.13	-.25	-10.53	3.38	1.75	.37	-2.17	.33	-20.92	-.65	-.06	F	NE	-35.0	-3.1	NE	.00	.0	10-09-79	32.0	-1.0	.3	5.4	3	0681
JBs Rest	JBBB	3.63	3.63	3.63	.00	.00	4.50	2.63	.75	.77	-.61	41.67	.63	.63	F	NC	1.0	3.0	5.8	.00	.0	00-00-00	29.8	.6	1.1	3.9	5	0980
Jerrico Inc	JERR	20.88	20.88	20.88	.00	.00	27.63	14.69	-.25	.63	-.19	-25.01	1.70	.45	Q	32.6	24.0	5.6	11.4	.12	.6	11-06-81	378.2	21.0	1.1	3.7	10	0681
Kelly Johnston	KEJO	16.00	15.75	16.00	.25	1.59	16.25	10.75	.38	.89	1.13	16.73	.58	.74	S	NC	148.0	5.9	21.6	.00	.0	00-00-00	11.9	.7	.4	.8	1	0381
Kinnard Cos	KCNI	1.75	1.50	1.50	-.25	-14.29	9.00	1.50	-1.13	-2.48	1.30	-7.26	-.60	-.56	S	NC	-93.0	-66.7	NE	.00	.0	00-00-00	2.1	-1.4	.3	.4	1	1280
Lubys Cafeterias	LUBY	27.00	26.50	27.00	.50	1.89	28.25	17.84	-.17	.81	-6.73	-42.33	1.45	.27	F	22.8	24.0	9.1	18.6	.48	1.8	09-06-81	108.2	9.8	1.1	.9	6	0681
Marcus Corp	MRCS	6.38	6.38	6.38	.00	.00	7.28	5.00	.39	.59	6.67	37.54	1.15	.08	Q	7.3	7.0	5.8	5.4	.00	.0	08-24-81	98.2	5.7	.7	3.7	7	0580
Marriott Corp	MHS	38.63	35.63	38.25	2.75	7.75	47.00	29.75	.25	.91	-3.42	2.88	2.60	.59	N	23.9	28.0	4.2	12.5	.30	.8	12-21-81	1718.7	72.0	.9	22.4	12	1280
McDonalds Cp	MCD	66.75	63.88	64.13	-1.88	-2.84	72.88	44.63	-.32	-.08	-2.51	-23.42	5.49	1.03	N	19.4	19.0	10.1	10.1	1.00	1.6	10-27-81	2184.3	220.9	.7	24.2	28	1280
Morrison Inc	MORR	8.63	8.50	8.50	-.13	-1.45	13.88	8.25	-.36	.15	3.29	-19.86	.95	-.04	Q	-4.0	6.0	3.9	8.9	.32	3.8	10-09-81	319.8	12.4	1.3	2.7	7	0581
Mr Steak	MSST	2.25	2.25	2.25	.00	.00	4.75	2.13	-.71	.41	4.19	21.61	.22	.04	F	22.2	43.0	.5	10.2	.02	.9	05-29-80	56.3	.3	1.6	3.9	5	0980
Nathans Famous	NATH	1.25	1.00	1.00	-.25	-20.00	2.38	.88	-.37	.31	2.37	19.51	-.87	-.53	Q	NE	NE	-7.9	NE	.00	.0	00-00-00	21.5	-1.7	.4	.2	2	0381
Oakbrook Cons	OKCO	9.25	9.25	9.25	.00	.00	12.25	9.00	.04	.57	4.17	.00	1.74	.48	F	38.0	18.0	1.3	5.3	.32	3.5	09-10-81	126.2	1.3	.8	4.9	11	0980
Piccadilly Caf	PICC	15.13	14.63	14.63	-.50	-3.31	19.00	11.88	.04	.19	-4.79	38.45	1.30	.21	Q	18.4	15.0	6.1	10.8	.48	3.3	12-09-81	127.2	7.8	1.7	.0	6	0681
Pizza Inn	PZA	7.00	6.00	6.50	-.38	-5.45	11.50	3.88	-.38	3.52	.85	-6.79	.59	.08	N	14.5	-2.0	1.4	10.3	.00	.0	00-00-00	120.7	1.7	1.1	14.0	6	1280
Ponderosa Sys	PON	15.75	14.25	14.50	-.88	-5.69	19.75	10.00	-.30	-1.07	-1.55	-9.59	.60	.41	N	39.4	3.0	.8	10.0	.40	2.8	12-01-81	329.6	2.6	.8	22.3	15	0281
Ramada Inns	RAM	7.00	6.00	6.25	-.75	-10.71	12.50	5.25	.42	-1.35	-.43	11.26	.53	.70	N	184.2	33.0	4.1	5.8	.12	1.9	10-19-81	366.1	15.1	.8	14.4	6	1280
Restaur Assc	RA	4.88	4.38	4.63	.00	.00	8.25	3.13	-.36	.07	1.69	7.40	.64	.39	N	60.0	29.0	1.6	4.4	.00	.0	00-00-00	95.8	1.5	1.3	3.9	5	1280
Saga Corp	SGA	21.00	20.00	20.00	-.50	-2.44	23.75	8.00	-.14	.03	-3.38	27.78	2.36	1.05	Q	68.6	15.0	1.4	7.8	.44	2.2	11-16-81	819.0	11.6	.9	9.3	15	0681
Sambos Rest	SRI	2.00	1.00	1.38	.13	10.00	6.25	.63	-3.29	.68	4.30	-59.56	-1.05	2.34	N	NE	-55.0	-2.4	2.3	.00	.0	12-19-78	489.2	-11.6	1.2	23.9	2	1280
SeaGalley	SEAG	9.25	7.38	7.38	-1.88	-20.27	17.88	5.50	-.29	-4.38	-1.90	14.81	.55	.69	N	NC	53.0	5.7	10.7	.00	.0	06-02-81	22.9	1.3	1.6	2.3	2	1280
Servico Inc	SRVI	8.50	8.25	8.25	-.25	-2.94	13.00	7.00	.08	-.30	-1.17	25.59	1.10	1.34	N	183.5	22.0	2.5	4.0	.00	.0	00-00-00	114.4	2.9	1.0	50.1	4	1280
Shoneys Inc	SHON	15.00	14.50	14.50	-.50	-3.33	15.00	9.75	.34	.19	2.97	-63.86	.83	.16	N	19.7	20.0	5.6	14.9	.16	1.1	10-13-81	210.6	11.8	1.0	1.2	4	1080
Steak n Shake	STAK	2.69	2.56	2.56	-.13	-4.65	3.25	1.44	-.27	-.24	5.26	-30.45	.06	.09	F	NE	-30.0	.5	42.7	.00	.0	05-17-79	60.4	-.1	.8	4.7	3	0980
Valles Steak	VLE	6.00	5.88	6.00	.00	.00	7.63	4.25	1.00	.62	.77	81.82	-.22	-.35	Q	-205.8	-26.0	-.9	NE	.00	.0	11-01-78	65.6	-.6	1.3	7.8	10	0381
Victoria Stations	VSTA	8.63	8.25	8.25	-.13	-1.49	11.25	6.25	-.36	-.44	-.61	18.81	-1.85	.72	S	NE	-37.0	-4.3	NE	.00	.0	09-19-79	134.5	-5.8	1.0	9.0	10	0381
Volunteer Cap	VLCC	8.25	8.25	8.25	.00	.00	8.88	4.63	.25	.60	2.18	23.32	-.05	.43	N	NC	-2.0	-.2	19.2	.00	.0	00-00-00	62.1	-.1	.6	13.7	6	1280
Wendys Intl	WEN	14.75	13.38	13.63	-1.13	-7.63	19.38	9.50	-.72	.05	-.51	1.44	1.34	.32	N	27.3	30.0	8.7	9.1	.28	2.1	10-30-81	347.0	30.1	.5	1.9	6	1280

KEY: NA—Not Applicable NC—Not Calculable NE—Negative Earnings Q-First Quarter S-Six months N-Nine months F-Fiscal year
**—Other than a quarterly multiple resulting from a fiscal year change.*

Data and Table Provided by Media General Financial Services, Inc., Richmond, VA 23261

Steak n Shake net up for fiscal year

INDIANAPOLIS—Steak n Shake, a Midwest burger chain which had not registered a profit since 1978 when it began closing restaurants, finished fiscal 1981 in the black.

For the year-ended Sept. 30, Steak n Shake reported $300,605 in net profits, compared to a $145,352 net loss in 1980. The chain lost $3.4 million in 1979.

The chain finished fiscal 1981 with $56.5 million in revenues, down 6.5% from 1980. In 1979, the chain had revenues of $77.1 million, down 11% from its record high in 1978.

Steak n Shake ended the year with 121 units, down from 125 in 1980, 134 in 1979, and 154 at its peak in 1978.

For the fourth quarter, a $1 million addition to the company's pretax provision for restaurant closings contributed to its $143,958 net loss, compared to $751,374 in net profits for the year-earlier period.

Revenues in the fourth quarter slipped from $15.7 million to $14.7 million.

In addition, the company disclosed its new board of directors had approved a move that would, if successful, complete a takeover begun last June.

At that time, Robert Cronin, who held a 54% interest in Steak n Shake's parent company, Franklin Corp., sold his interest by issuing new stock and relinquishing voting rights to his existing stock. The buyer was Kelley & Partners, a convenience store operation headed by E. W. Kelley.

Kelley became vice chairman and chief executive officer of Steak n Shake. Cronin stepped down from the presidency but retained his posts as a director and chairman.

Cronin took control of the chain for $9 million in 1971. Before selling to Kelley, an $8 million deal with LLC Corp. fell through.

Cronin, since the transaction, has remained involved in the day-to-day operations of Steak n Shake, overseeing restaurant closings.

Both Cronin and Jeremy McKenzie, the president and chief operating officer of Steak n Shake who joined from W. R. Grace's West Coast restaurant group, report to Kelley.

McKenzie said that between the interests of Kelley & Partners and Franklin Corp., "It's like being owned by two companies. We thought it would come back to haunt us."

"It seems that Kelley & Partners could sell and that would disrupt future plans," he said. "People here would wonder who their bosses are."

So the board of directors, he said, had agreed to offer to acquire the outstanding minority interests in Franklin Corp. in exchange for 12% subordinated Steak n Shake notes due in 1991.

McKenzie said he could not put a dollar value on the proposed transaction since the move was in the midst of registration with Government authorities.

EARNINGS REPORT

Company	Period	Period Ended	Total Sales*	% Change	Revenues*†	% Change	Net Income (Loss)*	% Change
ARA Services Inc.	1 yr.	10/2			$2,915.876	4	$53.082	25
	13 wks.	10/2			711.013	– 4	12.169	**
Associated Hosts	1 yr.	9/26			79.917	4	2.076	– 17
	3 mos.	9/26			19.914	8	0.327	29
Bob Evans Farms	6 mos.	10/23	$84.000	19			6.837	14
	3 mos.	10/23	44.275	16			3.555	23
Collins Foods Int'l	6 mos.	10/31			149.302	13	5.112	48
	3 mos.	10/31			75.454	11	2.737	52
Hyatt Int'l	9 mos.	9/30			12.508	34	3.795	205
	3 mos.	9/30			3.804	20	0.564	5
JB's Restaurants	1 yr.	9/30			36.562	23	1.058	80
	3 mos.	9/30			9.804	25	0.403	49
Mr. Steak	1 yr.	9/27			55.703	– 1	0.378	11
	3 mos.	9/27			14.403	1	(0.006)	—
Oakbrook Consol.	1 yr.	9/25			133.396	6	2.408	2,836
	3 mos.	9/25			32.899	4	0.949	**
Ponderosa Syst.	9 mos.	11/5			258.800	11	7.148	92
	3 mos.	11/5			83.400	8	2.099	83

Source: *Company earnings reports*

—Loss in corresponding period
**In millions*
***Loss in corresponding period*
†In cases where companies do not break out their total sales for all units, revenues are indicated instead. These generally consist of company-owned restaurant sales, franchise fees and rental incomes, royalties and operating income, as well as other miscellaneous incomes, such as interest income and gains on real estate and construction.

Bob Evans earnings up in third qtr.

COLUMBUS, Ohio—Bob Evans Farms reported restaurant profits rose 22% to $2.2 million and restaurant sales rose 23% to $23.7 million for the second quarter ended Oct. 23 compared to the year-ago period.

Figures consolidating both of the company's businesses—restaurants and sausage-making/retailing—showed profits up 23% to $3.6 million and sales up 16% to $44.3 million for the quarter.

For the six-month, two-quarter period, restaurant profits rose 28% to $4.3 million and sales jumped 26% to $45.9 million.

Consolidated figures for the six-month period showed that profits increased 15% to $6.8 million and sales increased 19% to $84 million.

Company officials attributed the increases in its restaurant business to the fact it was operating more restaurants than a year ago. Seventy-three restaurants were open at the end of the period, compared to 60 the year before.

Four restaurants were opened during the second quarter and none were closed in the six-month period. Six more restaurants are scheduled to open before the end of fiscal 1982 in April.

Improvements in Bob Evans Farms' sausage business were attributed to price increases and the opening of new market areas.

Nabisco buys Life Savers

NEW YORK—Nabisco Brands has disclosed an agreement in principle to purchase Life Savers from Squibb Corp. for about $250 million in cash and notes, plus assumption of an unspecified amount of Life Savers liabilities.

READ CLASSIFIEDS

2nd quarter net up 52% at Collins

LOS ANGELES—Collins Foods International, which operates Sizzler Family Steak Houses, Kentucky Fried Chicken stores and several distribution centers, reported an increase in net income of 52% to $2.7 million, for the second quarter ended Oct. 31, compared with the same period last year. The results are adjusted to reflect a 4-for-3 stock split in October.

Revenues rose 11% to $75.4 million.

For the six months ended Oct. 31, net income rose on an adjusted basis by 48% to $5.1 million.

James A. Collins, chairman, attributed improvement in the second quarter to growth in average unit sales.

Collins also said earnings improvements for the second half probably will be lower than in the first half since comparisons will be against last year's record third and fourth quarters.

As of Oct. 31, Collins Foods operated or licensed 459 Sizzlers, and operated 236 KFC units and six Collins Foodservice distribution centers.

Losses attributed to higher expenses

Esteban's earnings drop 91%

MINNEAPOLIS—Esteban's Mexican Foods Inc., operators of four Mexican restaurants as well as contracted food service, reported earnings of $9,000 for the third quarter ended Sept. 26 compared with $112,692 for the same period last year, a 91% drop. Net sales for the period rose 31% to $1.4 million up from $1 million for the same quarter a year ago.

For the nine months, earnings were down 65% from $205,108 to $72,193. Sales increased 38% to $4 million compared with $2.9 million in the first nine months of 1980.

On Aug. 6, the company went public with a 600,000 share offering.

Chairman and president R. Stephen Tanner said the decline in earnings was caused primarily by higher expenses in areas such as staff additions and increased promotional activities. The company is promoting itself with television and full-scale radio campaigns.

In addition, construction started on the company's first freestanding restaurant, which is set to open in March 1982. Tanner added that the company recently signed leases for restaurants in Burnsville and Maplewood, growing Twin Cities suburbs, which are expected to open in mid-1982. By the end of 1982, the company predicts it will have nine restaurants operating.

The company is also expanding its institutional food-service operation and recently went into Michigan, Ohio, Illinois, Indiana and Missouri and introduced several new products, including Mexican lasagne, chile and quiche. Institutional food sales were up 168% for the first nine months because of increased customer demand and marketing and expansion efforts, the company said.

Esteban's owns and operates four Mexican restaurants in Minnesota and Wisconsin and a food service for schools, commissaries, hospitals and other institutions.

JB's net increases 69% for fiscal year

SALT LAKE CITY—JB's Restaurants Inc., operator of 63 restaurants, reported net income rose 69% to $1 million for the fiscal year ended Sept. 27, 1981, from $589,000 in fiscal 1980.

Sales for fiscal 1981 totaled $36.4 million compared to $29.7 million in 1980, an increase of 23%.

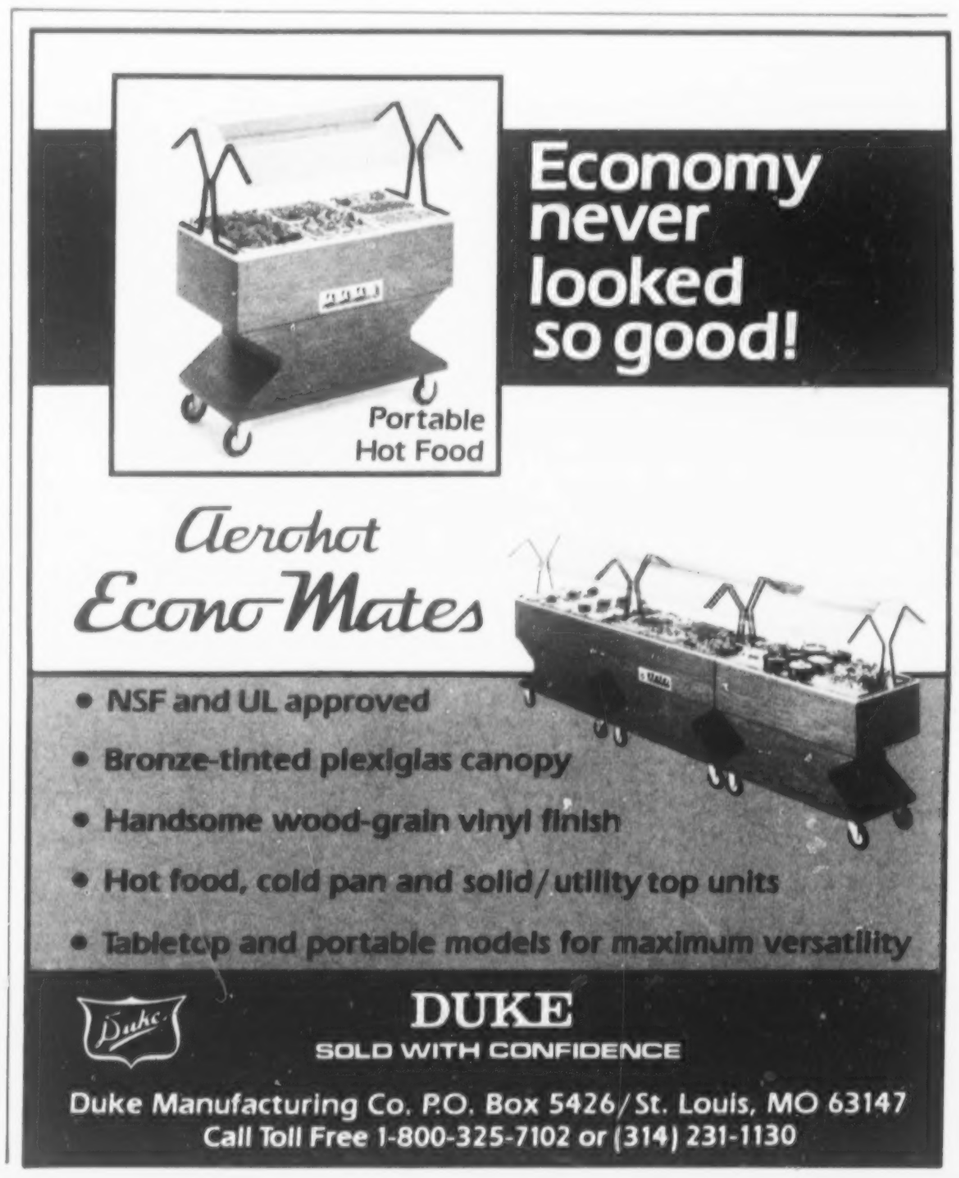
For the fourth quarter, net income was up 48% to $403,000. Revenues rose 28% to $9 million.

JB's Restaurants have completed installations of gourmet salad bars and charbroilers in nearly all restaurants. The chain has done extensive remodeling during the year and has four restaurants completed. In each case, sales at the remodeled restaurants have increased more than 60%.

In addition, JB's opened four new Bob's Big Boy Restaurants during 1981. The company has also unveiled a new restaurant called Apple Butter Farm which features homemade-style foods.

Posner raises stake in Royal Crown

ATLANTA—Victor Posner, the Miami-based financier, has raised his ownership in Royal Crown here from 6.5% to 11.2% by purchasing $6.24 million more worth of RC stock.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